DART & KRAFT

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1984 ANNUAL REPORT

DART & KRAFT, INC.

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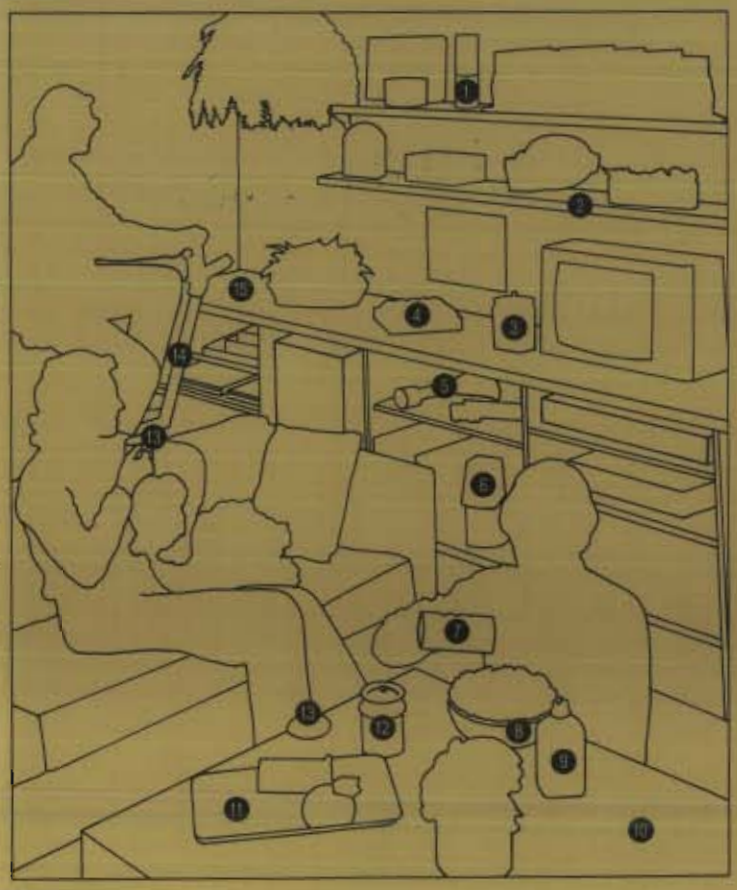
On the Cover



1. ***Durabeam*** **area light**
2. ***Wilsonart*** **Moccasin decorative laminate**
3. ***Duracell*** **batteries in a *Tupperware Counterparts* container**
4. ***Tuppertoys Bounce-It-In*** **game**
5. ***Tuppertoys Pop-A-Lot*** **toy**
6. ***West Bend Poppery II*** **four-quart hot air corn popper**
7. ***Kraft*** **grated parmesan cheese**
8. ***Tupperware Wonderlier*** **bowl**
9. ***Squeeze Parkay*** **margarine**
10. ***Wilsonart*** **Quail decorative laminate**
11. ***Tupperware*** **dining tray with *Cracker Barrel* brand natural cheddar cheese and *Kraft* natural gouda cheese**
12. ***Kraft*** **caramels and toffee in a *Tupperware Counterparts* container**
13. ***Tupperware Multi-Mug*** **with coaster/cover**
14. ***Precor*** **bicycle ergometer**
15. ***Wilsonart*** **Moccasin decorative laminate**

FINANCIAL HIGHLIGHTS

Dart & Kraft, Inc. and Subsidiaries

	(Dollars in millions, except per share)		
	1984	1983	1982
sales	$9,759	$9,714	$9,974
Provision for taxes on income	$ 392	$ 382	$ 307
Per share	$ 7.76	$ 6.94	$ 5.61
Operating profit after tax	$ 483	$ 463	$ 423
Per share	$ 9.56	$ 8.42	$ 7.74
Translation and nonoperating items after taxes	$ (27)	$ (28)	$(73)
Per share	$ (.54)	$ (.50)	$(1.34)
Net income	$ 456	$ 435	$ 350
Per share	$ 9.02	$ 7.92	$ 6.40
Dividends to shareholders	$ 209	$ 210	$ 197
Per share of common stock	$ 4.14	$ 3.84	$ 3.60
Capital expenditures	$ 269	$ 212	$ 336
Depreciation	$ 170	$ 171	$ 189
Return on total capital	15.5%	13.3%	11.1%
Shareholders' equity	$2,598	$2,923	$2,774
Return on average equity	16.5%	15.3%	12.8%
Number of shareholders	70,807	74,443	78,808

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EARNINGS PER SHARE
Dollars

RETURN ON TOTAL CAPITAL
Percent

THIS IS DART & KRAFT

Food Products

The Food Products segment covers the six domestic and international operations of Kraft, Inc.—Retail Food Group, Dairy Group, Foodservice Group, Industrial Foods Group, Operations & Technology Group and International Group. Kraft packaged foods are marketed in over 130 countries worldwide.

Quality cheese, pourable dressing, mayonnaise, citrus, fruit spread, and confection products.

KRAFT

A worldwide symbol for quality cream cheese products.

PHILADELPHIA

America's first choice in spoonable salad dressing.

Miracle Whip

Blended shortenings and oils for food industry use.

HUMKO

Australia's popular concentrated yeast spread.

VEGEMITE

The leading brand of margarine products.

PARKAY

Little round cheeses—Italy and Belgium.

BAIKA

Cultured dairy products and ice milk.

Light n' Lively

Bakery blends for bread and pastries.

Classic

Direct Selling

The Direct Selling segment, which is Tupperware, derives over 50 percent of its revenues from outside the United States.

High-quality plastic containers and seals.

Tupperware

Ultra Clear containers for food and household items.

Counterparts

Toys that inspire creativity and increase coordination.

Tuppertoys

Consumer Products

The Consumer Products segment includes Duracell Inc., The West Bend Company, the Health Care sector and KitchenAid, Inc.

The world's leading brand of high-performance alkaline batteries.

DURACELL

Small electric and electronic kitchen appliances and timers.

WEST BEND

Health care and surgical preparation kits.

Seamless

Commercial Products

The Commercial Products segment incorporates the commercial equipment business of Hobart Corporation and *Wilsonart* brand decorative laminates for home and commercial use.

Commercial preparation and storage equipment for the retail food and food service industries.

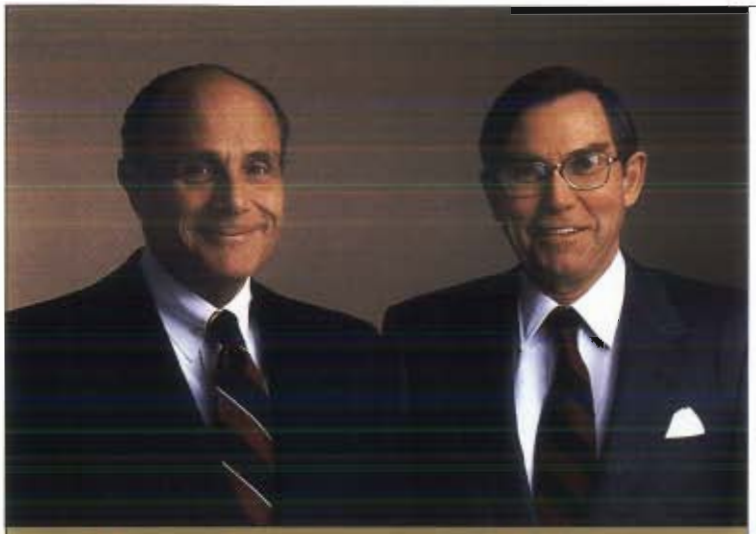
HOBART

The leading brand of decorative laminates.

WILSONART

Premium sour cream cottage cheese.	Pasteurized process cheese spread loaf and individually wrapped slices.	All-natural, premium ice cream and yogurt.	The hallmark of quality for dairy products.	Premium natural cheddar cheese.
Breakstone's	Velveeta	Breyers	Sealtest	Cracker Barrel
Packaged spaghetti dinner, a German favorite for years.	New to Kraft—frozen bagels.	Soft pasteurized cheese spread in the United Kingdom.	All-natural herb teas.	Convenient pasteurized process cheese spread in a jar.
Mirácoli	Lender's	dairylea	Celestial Seasonings	Cheez Whiz
Belgian cheeses.	German cottage cheese snack.	Soft gouda cheese slices—Belgium.	Vegetable oils and non-dairy creamers.	
franco Suisse	jocca	ZOZ	RICHTEX	

ckable storage containers.	Plastic personal care and home products.	Bowls for every purpose.	Freezer to oven or microwave to table ovenware.	
Modular Mates	Tuppercraft	Wonderlier	Ultra 21	
Ergonomically engineered exercycles, rowing machines and treadmills.	Major kitchen appliances and electric housewares.	Portable lighting products.	A variable-resistance exercise system to assist total body conditioning.	Bathroom scales.
PRECOR	KitchenAid	DURABEAM	total gym	BORG



John M. Richman Warren L. Batts

To Our Shareholders:

The strength of most of our businesses was quite evident in 1984 as Kraft, Duracell, Hobart and *Wilsonart* brand decorative laminates posted gains from year-earlier levels, more than offsetting Tupperware's disappointing performance. Without minimizing the problems at Tupperware, we believe that our 1984 performance underscores the value of our diversification. Even with year-to-year swings in certain operations, Dart & Kraft has shown the ability to provide a steady improvement in results.

Earnings per share increased 14 percent to $9.02. Earnings per share benefited from the company's stock purchase program during the first half when over 7 million of our shares were acquired. Net income totaled $455.8 million, up 5 percent from $435.1 million last year. Foreign currency losses reduced income by 54 cents per share in 1984. Dart & Kraft derives about 35 percent of its operating profit from international operations. Even though the currencies of most countries in which we operate declined against the dollar in 1984, many of our international businesses achieved improved results. However, total foreign operating profit declined. Sales totaled $9.76 billion compared with $9.71 billion in 1983. Excluding discontinued operations, sales were 2 percent higher.

Shareholder Value

Since the merger in 1980, our goal has been to improve our standing among diversified food companies as measured by earnings growth and return on total capital. We have made good progress in the last four years by divesting many low-return businesses, by improving the returns on our basic businesses and by acquiring companies which closely relate to these basic businesses and have the potential for rapid growth. In 1984, our return on total capital increased to 15.5 percent from 13.3 percent and return on average equity rose to 16.5 percent from 15.3 percent.

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At the end of the year, Dart & Kraft's cash and temporary investments were $291.0 million, net of short-term borrowings. Our debt-to-equity ratio, despite the magnitude of the stock purchase, is a healthy 20 percent; and our credit rating with the major agencies is double-A. We intend to maintain a quality balance sheet while achieving higher returns and real growth.

Additionally, our practice will continue to to increase the dividend as permitted by current earnings and future prospects. Last May, the Board of Directors raised the quarterly dividend 10.4 percent to $1.06 per share, or $4.24 per share on an annual basis. The Board again will consider the dividend in depth at its May 1985 meeting. Also, at our Annual Shareholders' Meeting in May, you will be asked to approve a 3-for-1 stock split, which is expected to broaden the public ownership of our shares. At the current market price, Dart & Kraft stock is higher than other companies in the diversified food group. The lower price resulting from a split should make our stock more accessible to more investors.

Meanwhile, we are concentrating capital spending where we can achieve high returns over time. In 1984, capital investment increased 27 percent, and we plan to spend 11 percent more in 1985. Over the last two years, approximately one third of the $481 million in capital expenditures has been devoted to growth and the balance to replacement existing facilities and efficiency improvements.

Our business unit research and development projects are critical to long-term growth. Last year, investment in R&D was 13 percent higher and we expect another 18-percent increase in 1985. Significantly, approximately $1 billion of 1984 continuing sales came from products introduced since the merger.

Business units also provided substantial advertising support for their major brands and new product launches. Spending was up 23 percent and an additional 12-15 percent is planned in 1985.

Acquisitions and Divestitures

Acquisitions will continue to offer significant opportunities for growth. Recent additions such as: *Celestial Seasonings* herb teas, *Lender's* bagels, *Precor* exercise equipment and *Borg* bathroom scales are examples of the high-potential situations we seek. These businesses fit very well into Dart & Kraft's existing capabilities, and we are in a strong position to enhance the value of each.

In addition to these compatible add-on or buy-and-build businesses, we will also consider larger acquisitions on a selective basis. A potential acquisition must be a leader in high-quality goods or services, and must be available at a fair price, given its potential for growth. Our attempt to acquire CFS Continental, Inc. illustrates our approach. CFS met many of our criteria and would have strengthened our presence in the food service business. At our offer of $33 per share, this acquisition would have

contributed to our earnings growth and returns in a short time, but we concluded that CFS could not contribute to our long-term financial goals at the $38 per share offered by another company.

Just as we added new growth opportunities through acquisitions, we continued to prune both food and nonfood operations with less promise. Packaging and plastic specialties units were sold, and we are now virtually withdrawn from the fluid milk business. In total, we have divested 18 businesses over the last four years.

Today, Dart & Kraft is composed of sound companies with strong franchises operating primarily in markets where a good mix of returns and growth can be achieved. We are constantly striving to improve and redirect those businesses that are not performing to their potential. Tupperware currently is undergoing this process and the changes that are being made should, over time, reinvigorate this truly remarkable company.

Management and Board Changes

In August, William L. Jackson, formerly president of Duracell Inc., was named chairman of Tupperware International, succeeding Hamer F. Wilson, who retired. Bill Jackson's strong marketing expertise complements Tupperware's well-established sales organization. C. Robert Kidder, formerly president of Duracell U.S.A., has succeeded him at Duracell.

This year, in accordance with the Board's policy on retirement, four valued directors will not stand for reelection. In addition, William E. Simon will conclude seven years of outstanding service to the company.

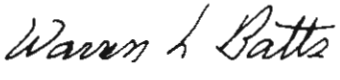
William D. Noël, who joined the Board in 1980 when Kraft and Dart Industries were merged, brought important insights to the new company. John D. deButts has given 16 years of well-considered judgment and advice first to Kraft and then to Dart & Kraft. All will be keenly missed by directors, officers and employees.

Arthur W. Woelfle, vice chairman of Dart & Kraft and chairman of Kraft, leaves the Board after 12 years and the company after a distinguished career of 39 years. Most recently and in addition to other duties, he has served as president of the new Dart & Kraft Foundation. His leadership of the Foundation for charitable giving and in the important area of community affairs is most appreciated.

William O. Beers, chairman of the Finance Committee, a director for 20 years and former chairman of Kraft, also will retire. In the 47 years of his association with the company, including seven as Kraft's chief executive officer, Bill Beers has worked assiduously for the best interests of shareholders and employees. We look forward to his continuing counsel.

Sincerely,

John M. Richman
Chairman and
Chief Executive Officer



Warren L. Batts
President and
Chief Operating Officer

March 7, 1985

Kraft accounts for 70 percent of total Dart & Kraft sales. In 1984, sales increased 3 percent to $6.8 billion and operating profit 11 percent to $615.4 million. This substantial profit gain was achieved despite flat retail food industry volume and a 28-percent increase in advertising. New product development and introduction costs for the Retail Food Group alone were 50 percent higher than a year ago.

The company also was affected by volatility in edible-oil prices and by the continuing government dairy surplus giveaway program.

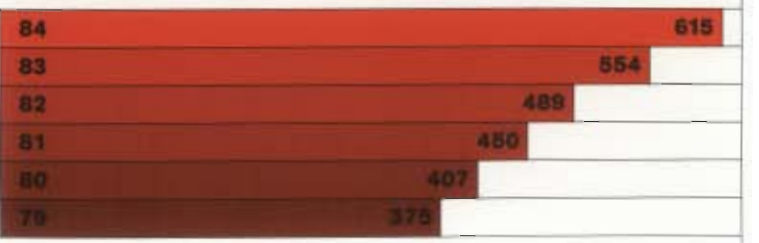
Cheese represented almost 57 percent, or $1.8 billion, of Retail Food Group sales. Moreover, dairy products are Kraft's single most important revenue source, accounting for virtually all Dairy Group sales.

For decades, the U.S. government has supported the income of dairy farmers by offering to buy cheese, butter and milk powder at prices designed to enable the manufacturers of these products to pay a specified milk "support price" to the farmers. In recent years, these prices have been set at levels that encouraged milk production well in excess of consumer market demand, with a resulting build-up of large government stocks of dairy products. This spurred a government giveaway program that involved the distribution of over 470 million pounds of cheese in 1984, or about 29 percent of total domestic consumption. A support price reduction in December 1983 has resulted in a small decline in milk production. Lower support prices scheduled for 1985 also should help reduce government stocks over time, but the long-range solution to this problem requires the establishment of a pricing mechanism better designed to bring supply and demand into balance.

FOOD PRODUCTS
Percent of total sales

Retail	46.6
Dairy	8.7
Foodservice	11.3
Industrial Foods	8.4
Canada	9.1
International	15.9

FOOD PRODUCTS OPERATING PROFIT
Millions of dollars



It's easy to plan a fiesta around menu items made with Kraft's new pasteurized process cheese spreads – Mexican *Velveeta* and salsa-variety *Cheez Whiz*.

Kraft's second most important raw material is soybean oil. It is the principal ingredient in salad dressing products and margarine and also is sold to the commercial market. The drought-reduced 1983 soybean crop lowered industry supplies to minimum operable levels, causing severe volatility in the market price during 1983 and 1984. In specific terms, the market moved from a 1983 low of 16 cents to a high of 42 cents in 1984, and receded to a range of 28-30 cents in early 1985. Anticipating higher prices, the food trade bought heavily in late 1983, resulting in fewer purchases in the first half of 1984. This disrupted industry volumes of virtually all oil-based products. Although tonnage declined in 1984, Kraft held its market share due to lower industry volume. The 1984 soybean harvest was near normal and a more orderly market is expected this year.

Kraft's overall business strategy in 1984 included stronger marketing and new product efforts. In total, the company's direct advertising expenses were up nearly 28 percent from the previous year, with increases in all operating groups except Industrial Foods. Kraft invested nearly $5 million to begin a regional test of a dual sales force to separately service refrigerated and dry grocery products. It also substantially increased the Foodservice sales organization, as well as the sales and marketing departments of the Dairy Group. Spending in retail new products doubled, and overall R&D spending on new products rose 32 percent. As a result, Kraft held or increased market share in essentially all of its major product categories, except ice cream.

***(Right) Kraft* Singles process cheese food slices contain five ounces of fresh milk.**

***(Below left)* Only outstanding cheeses bear the *J.L. Kraft Select* mark of excellence.**

Natural Swiss Cheese Slices
Sliced from the Block
Natural Longhorn Style Mild Cheddar Cheese
Natural Low Moisture Part-Skim Mozzarella Cheese

Kraft's overall strategy in 1984 included stronger marketing and new product efforts....As a result, Kraft held or increased market share in essentially all product categories....

(Right) Velveeta **pasteurized process cheese spread contributes its wholesome goodness to a new packaged dinner from Kraft.**

(Below) **Kraft presents the "golden anniversary taste" of *Miracle Whip* salad dressing in a "now generation" reduced-calorie "Light."**

Retail Food Group

Increasingly, new products are vital to growth in the food industry. In 1984, Kraft responded with 15 new Retail Food Group items in national distribution. Another 30 were introduced regionally or into test markets.

For example, Kraft entered the market nationally with Mexican *Velveeta* pasteurized process cheese spread, both mild and hot versions, in the fourth quarter. In that short time, these products were responsible for a sales gain of nearly 2 percent in the total *Velveeta* loaf category. The addition of the new salsa variety of *Cheez Whiz* process cheese spread helped grow the brand's overall tonnage 8 percent.

Kraft also has introduced *Miracle Whip* "Light," a reduced-calorie version of its well-established *Miracle Whip* salad dressing. The packaged dinner line has been extended with *Velveeta* shells and cheese dinner and the company is increasing its leading market share in barbecue sauce with a premium entry called *Kraft* "Thick 'n Spicy." These three products show great promise of being substantial volume contributors.

Another example of giving a traditional Kraft product a new format are the recently introduced *Cracker Barrel* brand cheese balls and logs. These line extension items were placed into national distribution in time for the 1984 holiday season.

Kraft continues to build the Retail Food Group with acquisitions. During 1984, it acquired Celesti Seasonings, Inc., the leading manufacturer of herb teas which is the fastest-growing segment of the overall tea market. The frozen bagel business of Lender's Bagel Bakery, Inc., another industry leader, also became part of Kraft. Lender's has been growing at 12 percent per year in volume and represents Kraft's first entry into the frozen baked goods market.

Recently, the Retail Food Group, which accounts for approximately 47 percent of total Kraft sales, was realigned into three profit centers. Two of

New *Kraft* "Thick 'n Spicy" barbecue sauce – in original, hickory-smoked, honey and chunky flavors – stands alone.

Kraft presents the convenient breakfast classic – *Philadelphia Brand* cream cheese spread on a toasted *Lender's* bagel.

the divisions—Refrigerated and Dry Grocery—are focusing on the management and expansion of product categories in which Kraft already competes. The third division, Retail Venture, is developing business in categories that are new to Kraft. In this role, the Venture division has assumed responsibility for Celestial Seasonings and Lender's, and is also managing such items as *Cheese Classics* frozen entrees and side dishes, now in test market.

Dairy Group

The Dairy Group, which accounts for 9 percent of Kraft sales, experienced both profit and tonnage declines in 1984, due in part to the discontinuance of the fluid milk business and to lower *Sealtest* ice cream volume. However, *Breyers* ice cream continued its strong performance in its initial Midwestern expansion markets. Volume of the successful *Light n' Lively* lowfat yogurt six pack was up more than 40 percent, and production capacity has been increased to expand distribution.

Foodservice Group

In the Foodservice Group, which accounts for 11 percent of total Kraft sales, tonnage and profits were up in all segments— owned-and-operated metropolitan distribution centers, key independent distributors and major direct accounts. Total tonnage increased 9 percent. Operating income rose substantially in direct accounts as a result of Kraft's concerted effort to expand business with the large fast-food restaurant chains.

(Above) The famous *Cracker Barrel* trademark now appears on a variety of cheese products.

(Left) *Light n' Lively* yogurt . . . pick up a handy six pack.

(Right) Distinctively packaged *Celestial Seasonings* all-natural herb teas are available in over 40 unique flavor blends.

The $75-billion food service distribution industry in the United States is principally a market-by-market business. The successful reorganization of Kraft Foodservice two years ago, which included a larger sales force, allows it to respond more quickly to the product line and distribution needs of local customers. At the same time, Kraft continues to serve national accounts with timely distribution, buying economies and customized product formulations. With slightly over 1 percent of the market nationwide, Foodservice has ample room to grow. Kraft plans to expand this business selectively through small acquisitions in markets where it has limited presence.

Industrial Foods Group

The Industrial Foods Group, which accounts for 8 percent of Kraft revenues, also increased operating profit, tonnage and sales in 1984, despite the volatility of the edible-oil market. In recent years, the group has shifted the mix of its business away from commodity-type products and into differentiated, value-added items, such as marshmallow bits, butter-flavored shortening, and a new portion-control chub pack for shortening that enables restaurant chains to take employee guesswork out of the amount to use. Industrial Foods has also significantly increased the volume of custom-flavor design work for major snack-food customers.

International Group

The International Group accounts for 25 percent of Kraft total sales. The group, which includes Kraft Limited of Canada, posted increased profit in spite of the strength of the U.S. dollar and an overall

(Left) **An old reliable product in a new protective double-seal wrap... *Breakstone's* cottage cheese.**

(Above) **Kraft is the sole supplier of Marbits, bite-sized marshmallow pieces used by other food processors in cereal and snack products.**

The best-dressed salad bars always wear Kraft.

Kraft Europe has successfully completed its reorganization program. It has changed the business mix away from commodity products to higher-margin, value-added items....Certain well-established Kraft products also have gained significant market share.

23-percent increase in advertising spending in local markets. Sales and tonnage declined slightly.

In Canada, Kraft placed more emphasis on new business development and established a separate food service product division.

Kraft Europe has successfully completed its reorganization program. It has changed the business mix away from commodity products to higher-margin, value-added items, such as soft white and other specialty cheeses. Certain well-established Kraft products also have gained significant market share, including *Vallé* soft margarine, *Dairylea* process cheese spread and *Miracoli* packaged dinners.

In order to help support continued growth in Europe, the company is now putting in place a sophisticated new logistics system, designed to optimize the entire production and distribution process. Kraft Europe also is establishing a new research and development facility in Munich to centralize activities. To expand its technical base for further new product development, Kraft recently acquired a 51-percent interest in an Italian cheese company, Fattorie Osella, S.p.A., and a 15-percent interest in a French cheese company, Fromagerie Soulie S.A. Both companies have specialty cheese processing expertise on which to build.

***(Below)* Specialty cheeses distributed by Kraft's International Group include *Baika* in Belgium and Italy, *Maman Luise* in Italy, *Quintana* in Spain, *Bayerhofer* and *Chantelle* in the Federal Republic of Germany, and *Mont St. Benoit* in Canada.**

In Europe, Kraft has reduced its asset base by consolidating production facilities, pruning its product line and investing $25 million to reduce costs. Conversely, advertising expenditures were increased 20 percent. From 1981 to 1984, operating profit rose 57 percent, and pretax return on net operating assets increased to over 25 percent in 1984 from 10 percent in 1980. Further improvement is expected in 1985.

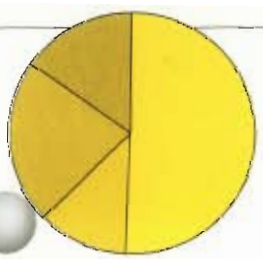
Tupperware International, which accounts for 8 percent of total Dart & Kraft sales, had a profit decline of 27 percent to $138.8 million and a sales decrease of 6 percent to $776.9 million. While these trends will not be reversed quickly, a number of changes developed by the company for implementation this year will position it well for longer-term improvement.

These changes reflect an extensive review of the Tupperware system. This examination resulted in a reaffirmation of the strengths of this system—informative product demonstration, superior-quality products, swift distribution, personal service and word-of-mouth product endorsement, and a strong consumer franchise. The study emphasized that the real value of Tupperware springs from its products. Each is designed to incorporate unique features—a seal, a special spout, a dual use, a space-saving shape—and every product bearing the *Tupperware* name carries an unlimited quality guarantee.

Research further indicated that the party system continues to be the best way to sell *Tupperware* products, but the study also revealed certain shortcomings that are being addressed.

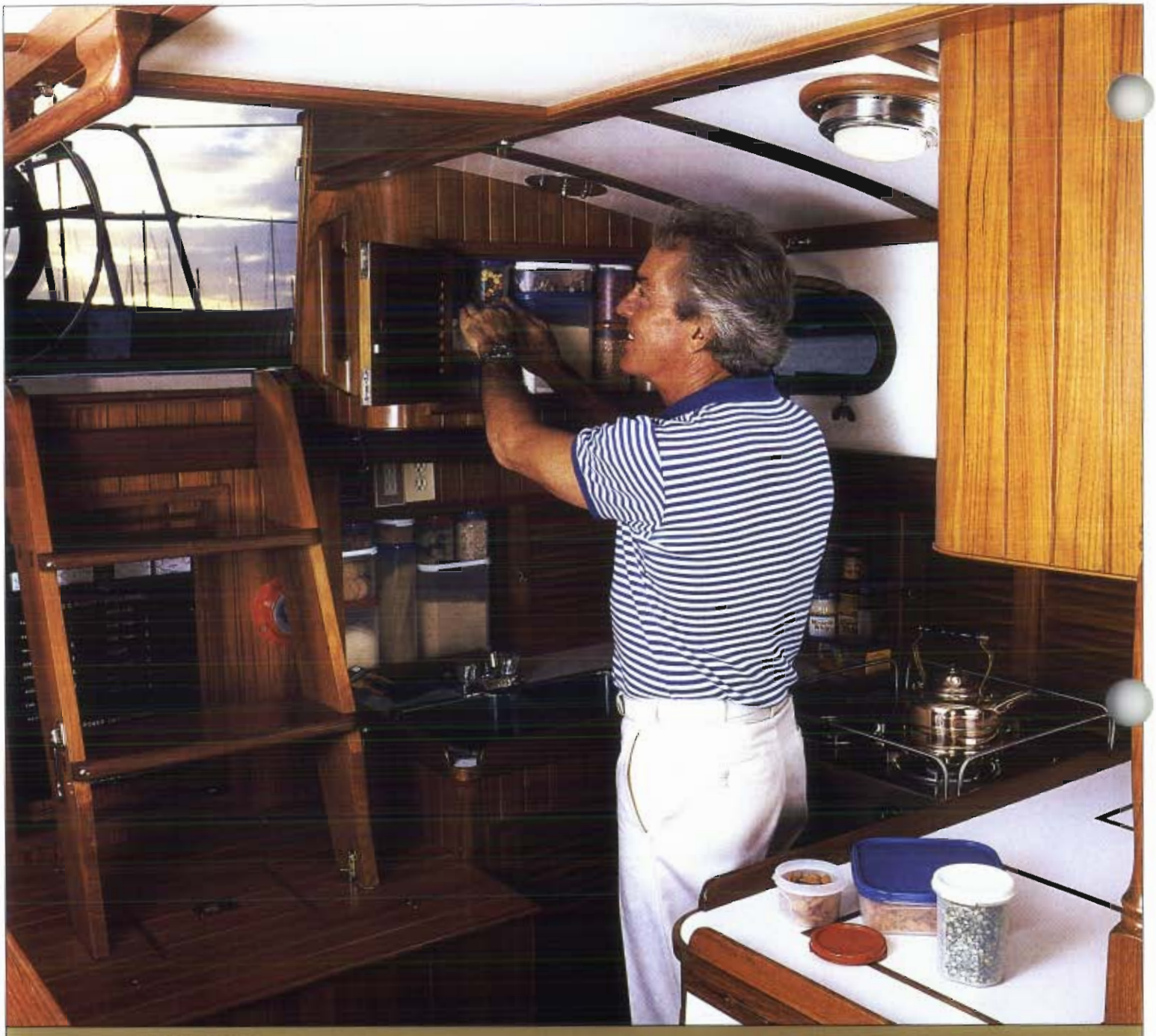
In response to the time pressures created by today's lifestyles, the party format will become more flexible, including one-hour, lunch-hour and rush-hour gatherings. The company is also experimenting with custom-kitchen parties, where a manager or dealer reorganizes available cabinet space with *Tupperware* containers for expanded storage, efficiency and convenience. Research also shows that demonstration of the product in a relaxed atmosphere is the key to a successful *Tupperware* party. Tupperware will utilize other established methods,

DIRECT SELLING
Percent of total sales



United States and Canada	50.6
Mexico, South America	11.9
Europe, Africa, Middle East	22.3
Asia/Pacific	15.2

DIRECT SELLING OPERATING PROFIT
Millions of dollars



Tupperware *Modular Mates* containers can make the most of available kitchen or galley storage space. The wide variety of shapes and sizes stack to form a compact, custom storage system that locks out moisture and ensures freshness.

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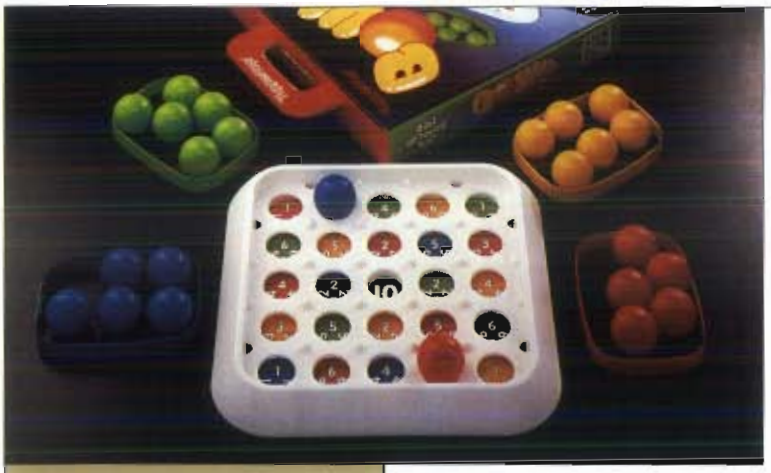
(Right) **A coming attraction... watch for the make it, freeze it, bake it, take it, serve it, save it, microwave it *Ultra 21* meal preparation system, exclusively from Tupperware®, with an unlimited quality guarantee.**

(Below) **New *Modular Mates* bowls are available separately in three graduated sizes and a choice of colorful seals.**

such as mass-media advertising, to stimulate sales through the party system. Additional changes involve the independent dealer organization. The company is employing new and meaningful incentives for hostesses, dealers and managers. Furthermore, Tupperware is expanding its dealer and manager training programs worldwide and is placing even greater emphasis on productivity. All of these changes are designed to support the efforts of hundreds of thousands of dedicated Tupperware people around the world.

Ultra 21 Ovenware

These new programs will be implemented prior to the U.S. and Canadian launch of *Ultra 21* ovenware, a proprietary plastic product that can withstand conventional oven temperatures over 500 degrees; is



The *Bounce-It-In* game, the newest *Tuppertoys* product, is actually four games in one and is suitable for both children and adults.

equally at home in a microwave oven, freezer or dishwasher; and can be used as a serving piece. Furthermore, *Ultra 21* ovenware has no peer in terms of resistance to discoloration, staining or ease of cleaning. Over the last several years, more than $70 million was spent on R&D to develop this unique line and the high-heat polymer it contains. Newly constructed manufacturing facilities in Augusta, Ga., are on-stream.

In *Ultra 21* ovenware test markets, the number of parties, average attendance and party sales all increased. Guests, attracted by the new line, also purchased other *Tupperware* products. The *Ultra 21* ovenware introduction is currently scheduled to begin at mid-year with an intensive marketing program, including the largest advertising campaign in Tupperware's history. Introduction in Europe and Japan is scheduled for late 1985.

The company already has begun a major product-oriented advertising campaign, currently featuring *Modular Mates* containers. This campaign, on television and in national magazines, is designed to attract customers to a *Tupperware* party and to inform them of the company's new product ideas.

During 1984, a substantial effort was made to consolidate operations, reduce other expenses and maintain high productivity levels. Superior engineering and manufacturing technology, as well as favorable raw material costs, have benefited this effort.

Early in 1985, Tupperware established a separate department staffed with marketing research, planning and marketing personnel. This new department, working with Tupperware's design staff, is focusing on the accelerated development of new products in existing and new categories.

Tupperware Worldwide

Outside the United States, where Tupperware conducts over 50 percent of its business, results were hurt by the strength of the U.S. dollar. But profit, even in local currencies, also declined. Therefore, considerable time was devoted to productivity enhancements. Operations have improved where these changes have been implemented.

During 1984, the dealer force declined 7 percent, worldwide. The company is taking the necessary steps to make it more responsive to today's environment. More emphasis is being placed on training designed to increase effectiveness. All of this is being accomplished while preserving and improving the *Tupperware* party system and the company's unique relationship with its dealers, managers and distributors.

Consumer Products, which includes Duracell, West Bend, Health Care and KitchenAid, accounts for 13 percent of total Dart & Kraft sales. Operating profit rose 13 percent to $118.4 million on a sales gain of 5 percent to $1.2 billion. Duracell, representing more than 60 percent of this segment's sales, led with strong profit growth topping a good performance in 1983.

Duracell Inc.

The alkaline battery market in the United States increased 17 percent in dollar volume in 1984, and Duracell expanded its share of this market. Despite currency effects, profits in U.S. dollars from Europe and other international markets were up more than 25 percent from the previous year.

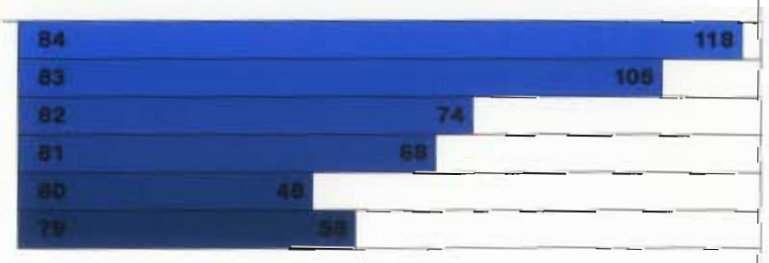
Worldwide, total sales of alkaline batteries exceed $1 billion per year and the market continues to grow rapidly. Unit sales of alkaline batteries account for more than 50 percent of the total retail battery market in the United States and just 24 percent in Europe, where usage of longer-lasting alkaline cells also continues to increase. The Daimon and Superpila operations acquired by Duracell in late 1982 have strengthened the company's European manufacturing and distribution positions. Duracell is now the largest battery manufacturer in Europe.

Duracell achieved a 25-percent volume increase in developing alkaline-battery markets, such as Australia, Japan and Mexico, and operating profit was essentially on target. While still in its start-up phase, the Sanyo-Duracell joint venture in Japan is making good progress.

The company's continual product-improvement program is reflected in its current advertising message—"Today's *Duracell* batteries last up to 20 percent longer than the ones we made just three years ago." To maintain its leadership and support its position as an innovator in battery technology, Duracell has increased its research and development investment substantially.

CONSUMER PRODUCTS
Percent of total sales

CONSUMER PRODUCTS OPERATING PROFIT
Millions of dollars



Neighborhood festivities and *Durabeam* lighting products go hand in hand. In 1984, Duracell provided free Safety Sacks at many retail outlets. Printed instructions helped parents and children prepare for a safe Halloween.

Today, West Bend has redirected its focus to high-growth businesses that can take full advantage of its manufacturing and distribution strengths.

(Above) **Duracell produces and distributes its products under several trademarks worldwide – *Duracell, Superpila,* and *Daimon.***

(Right) **Duracell has added zinc air technology to its broad spectrum of portable energy resources.**

In 1983, the company successfully entered the undermarketed lighting products business in the United States with its *Durabeam* line of flashlights, lanterns and area lights, and sales increased 70 percent in 1984 from a relatively small base. These products take advantage of Duracell's marketing and distribution strengths, increase its overall business and spread its overhead costs. Duracell also has moved into a good growth position in zinc air battery technology utilized in hearing aids and other medical devices.

The West Bend Company

During 1984, West Bend profit declined as it phased out of two low-growth businesses: humidifiers and retail aluminum cookware. Strong sales contributed to good results by West Bend's direct-to-the-home Specialty Steel division. Profit from housewares and new business operations were affected by product introduction costs.

Today, West Bend has redirected its focus to high-growth businesses that can take full advantage of its manufacturing and distribution strengths. New products like the *FreeStyle* cordless iron and new businesses like *Precor, Total Gym* and *West Bend* physical fitness equipment are expected to enhance the company's overall profitability.

As with many of West Bend's other products, fitness equipment manufacturing is essentially metal fabrication, with distribution through the company's traditional channels. Therefore, genuine synergies exist with the company's traditional business base. In 1984, West Bend introduced its own branded rowing machine. An exercise bike and non-motorized treadmill will be added to the line in 1985. The exercise equipment industry category, in

West Bend's new *FreeStyle* cordless iron eliminates ironing's biggest nuisance.

The new *West Bend* rowing machine provides a total body workout that increases aerobic capacity and builds muscle tone.

which West Bend now competes, has approximately $850 million in sales and is growing at the rate of 25 percent annually.

The company recently completed the acquisition of *Borg* bathroom scales, a leading brand in the United States. These high-quality products are distributed to retailers throughout the country. This line further extends West Bend's association with home physical fitness and health.

In 1984, new housewares products and *Precor* exercise equipment sales were higher than anticipated. New products, in fact, provided total incremental sales of $27 million last year. Products introduced since 1980 now account for 33 percent of West Bend's business.

Health Care

Operations in Dart & Kraft's Health Care sector were expanded with the acquisition of several businesses in 1984, including Respiratory Systems, Delta Medical Electronics and Health Examinetics. However, costs connected with these investments, together with more competitive industry conditions, reduced operating profit for the year. Health Care's products and services are intended to help contain patient-care costs. The Health Care businesses, in aggregate, are small, accounting for less than 7 percent of Consumer Products segment sales.

KitchenAid

The profit of KitchenAid declined primarily due to a five-week work stoppage at a principal manufacturing facility and increased development costs. Market share of dishwashers decreased but share of other *KitchenAid* consumer appliances held steady or increased. Early in 1985, an agreement to sell the KitchenAid business to Whirlpool Corporation was announced. The proposed transaction is being reviewed by the Federal Trade Commission under the antitrust laws.

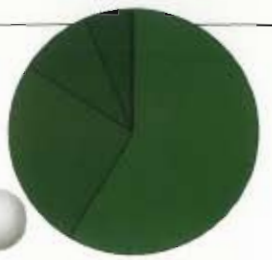
● Commercial Products sales, on a continuing-operations basis, increased 5 percent to $748.0 million. Operating profit rose 22 percent to $85.8 million. ● During the year, the company sold the Specialty Plastics and Packaging sectors as part of a strategy that is dedicated to value-added rather than commodity-type businesses. ● Continuing operations include Hobart commercial equipment and *Wilsonart* brand decorative laminates.

Hobart

Hobart commercial equipment, which constitutes approximately 70 percent of the sales of this segment's continuing operations, achieved sales and profit gains, with unit growth in food service warewashers and refrigerators, as well as in supermarket weighing and wrapping equipment. Much of this growth stems from a heightened emphasis on research and market-driven product development. This approach has resulted in 15 new products during the last two years, more than in any similar period of the company's history. Another 10 new products are scheduled for 1985.

Hobart commercial equipment sales in the United States rose 4 percent in 1984, reflecting the effect on the food service industry of a stronger national economy and the company's successful efforts to broaden its markets. Hobart derives 43 percent of its revenues from restaurant and other institutional feeding operations. New products are the life blood of the constantly changing food service industry. Hobart continues to work directly with fast-food chains on new equipment that will increase

COMMERCIAL PRODUCTS
(including discontinued operations) Percent of total sales



Hobart	58.6
Wilsonart *brand laminates*	25.4
Plastic Specialties	9.8
Packaging	5.9
Other	0.3

COMMERCIAL PRODUCTS OPERATING PROFIT
(including discontinued operations) Millions of dollars

Hobart's innovative gas convection fryer for high-volume food service operations incorporates continuous filtration with convection cooking. In this equipment, heated oil or shortening, such as Kraft Foodservice's *Qualifry* liquid shortening, is circulated throughout the fry tank for more even cooking and better quality results.

As a result of product development and more customer-focused marketing, 33 percent of Hobart's 1984 sales were from equipment introduced since 1981, when it was acquired by Dart & Kraft. In total, Hobart's leadership position in commercial equipment continued to grow. Profit and returns also improved as a result of the company's ongoing productivity and overhead reduction efforts.

(Left) **Hobart's new pizza mixer.**

(Right) **Hobart's new FTX series flight-type commercial dishwashers for the European market feature automatic electronic timing and temperature control. The equipment provides significant savings in water usage and energy costs.**

eir productivity. It substantially increased its presence in this market last year with high-quality equipment for the storage and preparation of popular new menu items. The electronic warewasher, a convection fryer and a pizza mixer are among the products especially developed for the food service industry.

Supermarkets, with the growing trend toward in-store specialty food departments, provided good growth for Hobart's weighing and wrapping equipment. Hobart now offers a superior system, including both the hardware and the software, to link scales, point-of-sale terminals and computers. This gives the retail food market operator better control over inventories and costs, as well as greater flexibility in changing prices.

As a result of its product development and more customer-focused marketing, 33 percent of Hobart's 1984 sales were from equipment introduced since 1981 when it was acquired by Dart & Kraft. In total, Hobart's leadership position in commercial equipment continued to grow. Profit and returns also improved as a result of the company's ongoing productivity and overhead reduction efforts.

Wilsonart brand decorative laminates, the market leader in the United States, achieved excellent volume growth, gained market share and increased profit. The favorable trend in construction starts, both residential and commercial/ industrial, contributed to these gains.

***(Above) Solicor*, a new *Wilsonart* laminate, has a solid core of color that permits corner seams which are virtually invisible.**

***(Below) Wilsonart* brand decorative Tambours are available in color, metal and wood surfaces and patterns.**

Wilsonart brand Laminates

Wilsonart brand decorative laminates, the U.S. market leader, achieved excellent volume growth, gained market share and increased profit. The favorable trend in construction starts, both residential and commercial/industrial, contributed to these gains. *Wilsonart* brand laminates continued to be produced at lower cost and distributed faster—factors which are the keys to their consistent popularity.

During 1984, new *Wilsonart* brand products included: *Solicor*, a solid-color, colorthrough laminate for commercial and residential applications, and Charge Guard, an anti-static laminate jointly developed with another company for computer assembly work-stations and installations. These products were in addition to fire-rated, extra-high-wear and chemical-resistant laminates already in the line.

Total Segment Results

Total Commercial Products segment sales and profit were down 14 percent to $899.3 million and 4 percent to $101.0 million, respectively, due to the absence of full-year results of the plastic specialties and packaging operations.

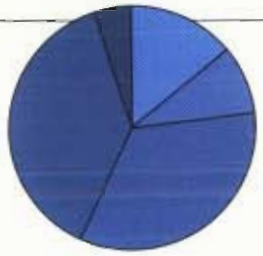
Wilsonart **brand decorative laminates and surfacing products are lightweight, easy to install and easy to keep clean. Available in more than 300 color and finish choices, *Wilsonart* laminates resist moisture, scuff marks and scratches.**

Fundamental to the success of Dart & Kraft is the attainment of its growth and return goals. Corollary to this is the company's commitment to well-defined, progressive affirmative action, community relations and charitable giving programs. Just as it improved substantially in its financial performance, Dart & Kraft made considerable progress toward its citizenship objectives in 1984.

As reported last year, the company has the long-term objective of expanding its charitable contributions program to 2 percent of domestic pretax income. In 1984, organizations received $6.7 million, an increase of 7 percent. This represents approximately 1.2 percent of U.S. pretax income, averaged over a three-year period. In 1981, contributions were $3.9 million, or only .8 percent. Concurrent with this increase in philanthropic spending, emphasis is being placed on the quality of programs funded rather than on the quantity of dollars contributed.

For example, Kraft has been recognized by the White House with one of the new "C is for Caring" awards, the symbol of private sector initiatives, for the company's role in meeting the needs of the communities in which it operates. Specifically mentioned in the citation were: Kraft's Consumer's Right to Know program, now in its 10th year; its sponsorship of the National 4-H Health Awards; its participation

U.S. CHARITABLE CONTRIBUTIONS
Percent of total contributions



Civic	14
Culture and Art	9
Education	34
Health and Welfare	38
Other	5

in Adopt-A-School programs; and its support of the Second Harvest National Foodbank. In 1984, Kraft products, valued at more than $1.6 million, were given to foodbanks throughout the country; and a financial grant was provided for general administrative support.

***(Right)* The Duracell/ National Urban League Scholarship and Intern Program is directed specifically to minority students with career interests in engineering, sales, marketing, manufacturing and finance.**

Duracell, in association with the National Urban League, Inc., awarded three $10,000 scholarships to minority students who had completed their sophomore years in college. Duracell also provided stipends to nine other finalists and offered all 12 awardees paid summer internships at its facilities. Kraft, Tupperware and the Dart & Kraft corporate office are participating with Duracell in an expanded program during the 1985-86 academic year.

Tupperware has taken the lead in organizing an Orlando, Fla., Women's Resource Center which focuses on women's issues.

Responding to an unforeseen critical need, Dart & Kraft matched business unit donations to local councils of the Girl Scouts of America to help them recover some of the revenue lost as a result of cancelled cookie sales.

Because the company values employee participation with national and local charities, educational institutions and community organizations, Dart & Kraft substantially broadened its matching-gift-program parameters. As a result of this encouragement, matched contributions increased nearly 110 percent with 30 percent more employees taking part.

During the year, considerable attention was given to improving the impact of the company's domestic community and charitable commitments by establishing areas of special concern: nutrition and physical fitness, educational improvement, economic and job development, and community betterment. In the future, these program categories will be widely communicated and pertinent proposals will be given priority. Additionally, because affirmative action issues are important to Dart & Kraft, emphasis will be placed on assisting nonprofit agencies responding to the needs and interests of minorities, women and the handicapped. Dart & Kraft's international operations also identify and support organizations and programs of special interest within their national boundaries.

The company is working on a number of economic development projects. Internationally, this most often involves the loan of technical experts to projects of critical importance to third-world countries. Domestically, Dart & Kraft is exploring, with both the Chicago Economic Development Corporation (CEDCO) and the City of Chicago, the possibility of establishing a small business incubator

Hobart, in cooperation with the University of Dayton, jointly sponsors an annual seminar, "Women in Engineering," designed to acquaint high school students with the opportunities of an engineering career.

Under a special program, *Wilsonart* brand laminate chips for sample distribution are collated and chained by residents of eight facilities for the handicapped in Texas.

in the inner city. The incubator would provide housing, support services and counsel for 15-20 firms.

In 1984, purchases throughout Dart & Kraft from minority-owned businesses increased 28 percent to $19.8 million. Deposits of tax payments in 25 minority-owned banks totaled $125 million. Time deposits in 70 minority-owned banks were $3.3 million. Dart & Kraft also maintains a $10-million line of credit, supported by a compensating deposit balance, with a consortium of 32 minority-owned banks. The company received a National Award of Excellence from the Small Business Administration recognizing Dart & Kraft's efforts in this area.

In the employment of minorities and women, the company continues to make affirmative action a part of every-day business management. In 1984, Dart & Kraft accelerated its recruitment, hiring, promotion and career development programs. An additional 3,500 corporate and business unit managerial and professional employees completed the equal opportunity and affirmative action training program initiated in 1983. Affirmative action strategy teams, composed of both operating managers and personnel specialists, are functioning within each business unit.

Initial results are encouraging. Kraft, alone, recruited over 150 women and minorities to its sales force. Throughout Dart & Kraft, another 117 were added at professional levels, as well as 166 to the officials and managers category. More detailed information, in the form of consolidated EEO statistics, is available to shareholders upon request to the Secretary.

An agricultural scientist at The Land, a pavilion presented by Kraft at EPCOT Center in Walt Disney World, works with grain sorghum, a drought-resistant major food crop in less-developed agricultural areas. The Land showcases a variety of crop management techniques.

SUMMARY OF SELECTED FINANCIAL DATA

Dart & Kraft, Inc. and Subsidiaries

(Dollars in millions, except per share)

Summary of operations:	1984	1983	1982	1981	1980
Net sales	$ 9,759	$ 9,714	$ 9,974	$10,211	$ 9,411
Costs and expenses—					
Cost of products	6,656	6,683	7,098	7,452	7,032
Delivery, sales and administrative expense	2,255	2,200	2,122	1,990	1,695
Interest expense	112	87	116	126	73
Interest income	(77)	(68)	(64)	(41)	(50)
Other income, net	(35)	(5)	(46)	(68)	(33)
Total costs and expenses	$ 8,911	$ 8,897	$ 9,226	$ 9,459	$ 8,717
Income from operations	$ 848	$ 817	$ 748	$ 752	$ 694
Nonoperating items	—	—	(91)	(108)	19
Income before taxes	848	817	657	644	713
Provision for taxes on income	392	382	307	296	330
Net income	$ 456	$ 435	$ 350	$ 348	$ 383
Dividends to shareholders	$ 209	$ 210	$ 197	$ 185	$ 150
Per share of common stock:					
Net income from operations	$ 9.02	$ 7.92	$ 7.56	$ 7.35	$ 6.89
Net income	9.02	7.92	6.40	6.36	7.03
Dividends—Dart & Kraft	4.14	3.84	3.60	3.40	.80*
Dividends—Kraft	—	—	—	—	2.40*
Dividends—Dart	—	—	—	—	1.50*
Financial position:					
Current assets	$ 3,149	$ 3,356	$ 3,165	$ 2,968	$ 2,774
Current liabilities	1,829	1,617	1,487	1,570	1,291
Working capital	1,320	1,739	1,678	1,398	1,483
Property, plant and equipment, net	1,438	1,430	1,473	1,565	1,379
Total assets	5,285	5,418	5,134	5,054	4,650
Long-term debt	522	563	616	552	540
Shareholders' equity	2,598	2,923	2,774	2,718	2,621
Per share of common stock	$ 54.26	$ 53.31	$ 50.66	$ 49.81	$ 48.14
Return on total capital	15.5%	13.3%	11.1%	11.3%	13.0%
Return on average equity	16.5%	15.3%	12.8%	13.0%	15.3%
Statistical information:					
Capital expenditures	$ 269	$ 212	$ 336	$ 346	$ 337
Depreciation	170	171	189	198	153
Total taxes—income, property, payroll and other	570	547	463	455	469
Per share of common stock	$ 11.28	$ 9.95	$ 8.46	$ 8.34	$ 8.61
Payroll and employee benefits	$ 1,676	$ 1,744	$ 1,647	$ 1,707	$ 1,499
Average number of employees	72,286	77,139	79,933	88,498	79,968
Number of shareholders at year end	70,807	74,443	78,808	83,393	86,050
Number of shares of common stock outstanding at year end (thousands)	47,876	54,828	54,745	54,567	54,439
Average number of common and common equivalent shares (thousands)	50,530	54,962	54,755	54,599	54,489

**1980 dividends—Dart & Kraft, fourth quarter only. Kraft and Dart Industries, first three quarters only.*

Results of Operations

Sales and Earnings. In 1984, consolidated net sales were $9.76 billion compared with $9.71 billion for 1983. On a continuing-operations basis, sales increased 2 percent with all business segments posting increases with the exception of Direct Selling. Geographically, sales in the United States rose 3 percent while all other areas, with the exception of Latin America, were down primarily due to the effect of adverse foreign currency rates and discontinued operations.

Net income in 1984 totaled $456 million, up 5 percent from $435 million in the previous year. Earnings per share were $9.02, compared with $7.92 per share in 1983, an increase of 14 percent. In 1984, there were 8 percent fewer average shares outstanding due to the company stock purchase program. Operating profit, which excludes foreign currency items, was $483 million, or $9.56 per share, up 14 percent from $8.42 per share, or $463 million last year. The earnings growth was indicative of the strength of most of the company's operations as Kraft, Hobart, Duracell and the *Wilsonart* brand decorative laminate business posted good gains from year-earlier levels, more than offsetting Tupperware's lower performance. Foreign currency losses amounted to 54 cents per share, up 4 cents from 1983.

Net sales in 1983 were $9.71 billion, a decline of $260 million, or 3 percent, from 1982. The decline stemmed mainly from lower Food Products and Direct Selling sales and the effect of discontinued operations. On a geographic basis, sales in the United States declined primarily due to discontinued operations, while all other areas, except Latin America, had sales increases.

Net income in 1983 was $435 million, or $7.92 per share, compared with $350 million, or $6.40 per share in 1982. There were no nonoperating items in 1983, whereas 1982 included a net charge of $1.16 per share which included the provision for restructuring Kraft's European operations. Operating profit, exclusive of foreign currency, was $463 million, or $8.42 per share, a 9-percent gain from the $7.74 per share, or $423 million posted in 1982. Contributing to the increase in profits were gains by Kraft, Duracell, Hobart, West Bend and the *Wilsonart* brand decorative laminate business, offset somewhat by a decline at Tupperware. Foreign currency losses were 50 cents per share compared with 18 cents in 1982.

Segment Results. In 1984, Dart & Kraft realigned its product segments to more appropriately reflect the markets served. Kraft, Inc. is the sole component of the Food Products segment and Tupperware International is the sole component of the Direct Selling segment. Consumer Products consists of the Duracell, KitchenAid, West Bend and Health Care businesses. Commercial Products consists of Hobart commercial equipment and *Wilsonart* brand decorative laminates.

Food Products. In the Food Products segment, sales increased 3 percent in 1984 and operating profit rose 11 percent. The increase in sales was largely due to higher selling prices, partially offset by a decline in tonnage and adverse foreign exchange rates. Contributing factors to the decline in volume include the continuation of the government's dairy surplus distribution program, the volatility of soybean oil prices throughout the year and the withdrawal from certain fluid milk markets. Operating profit increased in each of Kraft's operating groups, with the exception of the Dairy Group, mainly as a result of lower operating expenses and higher margins partially stemming from reduced raw material costs. The Retail Food Group led the performance with strong profit gains in cheese, salad dressing products and packaged dinners. The Foodservice Group achieved a good profit increase as tonnage gains continued to outpace the industry's growth rate. The Industrial Foods Group profit was up on improved volume and margins. Kraft's International Group registered higher profit on gains in Europe and Latin America. The Dairy Group reported lower results mainly because of lower ice cream tonnage.

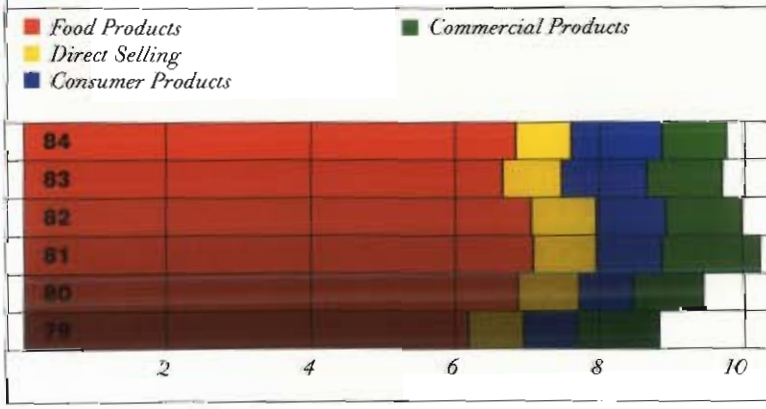
In 1983, sales were down 5 percent and operating profit rose 13 percent. The sales decline was attributable to the withdrawal from fluid milk markets, the discontinuance of low-margin products in Europe and adverse foreign exchange rates, which more than offset the effect of higher selling prices. Operating profit rose as the Retail Food, Foodservice, Industrial Foods and International groups, including Canada, all had significant profit increases. In the Retail Food Group, salad dressing products contributed to the gain. Foodservice gained as a result of an expanded sales force and Industrial Foods Group profit rose on higher margins and an improved product mix.

Direct Selling. Tupperware sales for 1984 were down 6 percent and operating profit was off 27 percent. The decline in sales is reflective of the adverse conditions that continue to affect its industry as well as the continued strength of the U.S. dollar. Worldwide, the number of parties held declined and the total dealer force was 7 percent lower. The operating profit decline reflects the effect of a 6-percent decrease in volume and adverse foreign exchange rates, as well as start-up costs associated with Tupperware's new *Ultra 21* product line, and charges relating to plant consolidations to achieve cost efficiencies.

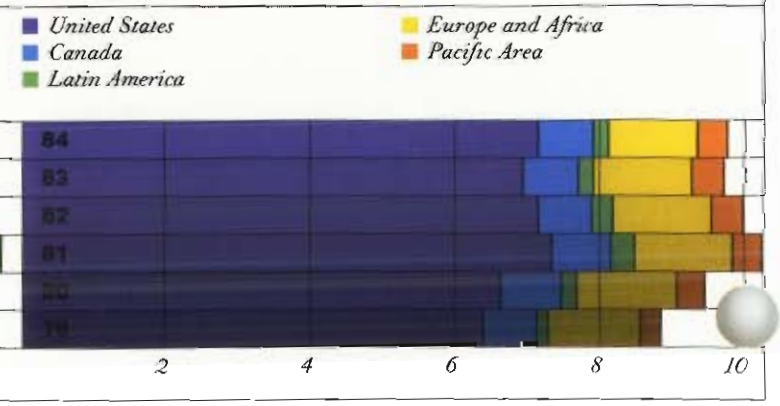
In 1983, Tupperware sales and operating profit declined 7 percent and 15 percent, respectively. Part of the decline was due to an 8-percent decrease in the U.S. dealer force from the record 1982 level. Also contributing to the decline were unfavorable foreign currency rates which negatively impacted foreign operations results.

Consumer Products. In 1984, the Consumer Products segment, which includes Duracell, West Bend, Health Care and KitchenAid, had a sales increase of 5 percent while operating profit increased 13 percent. The segment gain was led by Duracell's exceptionally strong performance. Sales at Duracell increased 4 percent, while operating profit rose 45 percent on a strong domestic performance. In the United States, results were enhanced by growth in alkaline battery volume, the new *Durabeam* lighting products line and improved operating efficiencies. Duracell's foreign operations experienced a good profit gain on higher volume despite adverse foreign currency exchange rates. Worldwide volume rose 9 percent in 1984. West Bend operating profit was down largely due to the disposition of its retail aluminum cookware and humidifier businesses. Health Care results were off due to start-up costs and low sales volume related to recent acquisitions. KitchenAid sales were 8 percent higher than the previous year due to the addition of the cooking line. Operating profit declined as a result of a five-week work stoppage at a principal manufacturing facility and higher promotional and development costs for cooking equipment. Early in 1985, an agreement to sell the KitchenAid business to Whirlpool Corporation was announced. The agreement is still subject to certain conditions.

PRODUCT SEGMENTS SALES
Billions of dollars



GEOGRAPHIC SEGMENTS SALES
Billions of dollars



In 1983, on a restated basis to give effect to the segment realignment, sales and operating profit increased 21 percent and 41 percent, respectively. The increase was mainly due to Duracell where sales increased 32 percent with a 40-percent increase in operating profit. Results were boosted by a 15-percent growth in volume and the contribution of the continental European battery operations of British Ever Ready, which were acquired in late 1982. KitchenAid sales and operating profit rose sharply on higher volume and product cost improvements. West Bend achieved a 2-percent gain in sales and operating profit rose to a record level on a 24-percent increase. Health Care sales were up modestly, while operating profit was down due to the effect of production facility disruptions.

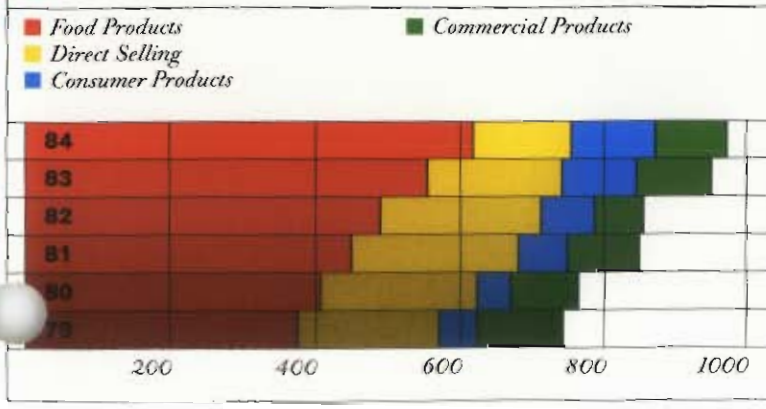
Commercial Products. The continuing operations of the Commercial Products segment, which now consist of Hobart commercial equipment and the *Wilsonart* brand decorative laminate business, posted a 5-percent sales increase and a 22-percent operating profit increase for 1984. Total sales and operating profit for the segment were down 14 percent and 4 percent, respectively, due to the absence of the contributions of the Plastic Specialties, Universal Packaging and Rexcel businesses which were sold during 1984. Hobart achieved higher results on good unit gains in food service warewashers and refrigerators, and operating expense reductions. *Wilsonart* brand laminates achieved record sales and operating profit in 1984. Decorative laminate volume was up 13 percent due to increased construction activity and a higher domestic market penetration.

In 1983, on a restated basis to give effect to the segment realignment, Commercial Products sales were off 2 percent, while operating profit rose 49 percent. The decline in sales was attributable to discontinued operations. Hobart achieved sales and profit increases mainly as a result of higher food service equipment volume. *Wilsonart* brand laminates results improved sharply due to accelerated new housing starts in 1983 and to an aggressive move into office and commercial markets.

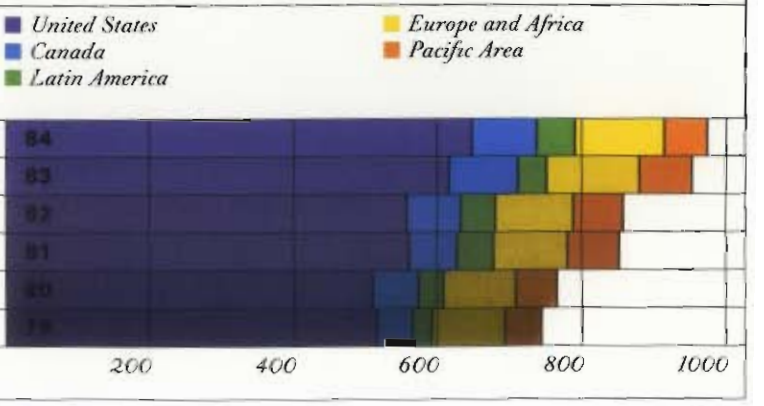
Interest Expense and Income. Interest expense was $112 million in 1984, $87 million in 1983 and $116 million in 1982. The $25-million increase for 1984 was attributable to a higher level of average borrowings, partially offset by the effect of lower short-term interest rates. In 1983, interest expense decreased $29 million as both the average level of borrowings and the short-term interest rate declined from the previous year. The weighted average interest rate was 12.4 percent in 1984, compared with 16.5 percent in 1983 and 17.1 percent in 1982.

Interest income increased $9 million in 1984 and $4 million in 1983. The increase of 1984 over 1983 reflected the higher level of average funds invested. In 1983, average funds invested rose $250 million over that of the preceding year, however, interest rates were substantially below those prevailing in 1982.

PRODUCT SEGMENTS OPERATING PROFIT
Millions of dollars



GEOGRAPHIC SEGMENTS OPERATING PROFIT
Millions of dollars



Other Income. Other income increased $30 million in 1984, following a $41-million decrease in 1983. In 1984, the increase was primarily attributable to gains relating to dispositions of businesses, and a gain arising from the termination of the tender offer to acquire CFS Continental, Inc. In 1983, the most significant factor accounting for the decrease was foreign currency items.

Income Taxes. The effective tax rate on income was 46.3 percent in 1984 and 46.7 percent in both 1983 and 1982. The slight decline in the effective income tax rate in 1984 was the result of higher investment tax credits and lower foreign currency translation losses, countered by the effect of higher taxes on foreign subsidiary earnings.

Although the effective tax rate was constant between 1983 and 1982, the rate for 1983 was negatively impacted by lower investment tax credits and higher foreign currency translation losses. The rate for 1982 was adversely affected by the unfavorable tax rate applicable to the Kraft European restructure provision.

Inflation. Although inflation rates have moderated in recent years, they continue to have an impact on economies worldwide. In order to counter the effects of changing prices, Dart & Kraft continues to take steps to maintain its profit margins through implementation of cost reduction and productivity programs and timely price increases.

Information regarding the effects of changing prices as required by Financial Accounting Standard (FAS) No. 33, as amended by FAS No. 82, is presented on pages 57 and 58.

Financial Condition

Liquidity and Capital Resources. Dart & Kraft's principal source of funds is cash generated from the operations. In 1984, cash provided from operations amounted to $631 million, compared with $934 million in 1983 and $761 million in 1982. At the end of 1984, cash and temporary investments were $572 million, compared with $820 million in 1983. The decline reflects the use of excess funds to purchase Dart & Kraft common stock. Under the purchase program, 7,175,600 shares of stock were acquired from March 2 to June 13, 1984.

The company continues to be in a strong financial position with a double-A credit rating by the major agencies. Working capital at the end of 1984 and 1983 was $1.3 billion and $1.7 billion, respectively. The current ratio in 1984 was 1.7, down from 2.1 in 1983 as a result of the common stock purchases. Accounts receivable days outstanding and days supply in inventory increased modestly.

Acquisitions of businesses during 1984, including Celestial Seasonings, Inc. and Lender's Bagel Bakery, Inc., were financed through proceeds from divestitures and internal resources.

In addition to its own internally generated funds, Dart & Kraft also has numerous sources of financing available, including commercial paper, bank loans and other forms of financing in worldwide financial markets, to meet seasonal requirements. On December 29, 1984, Dart & Kraft had over $1 billion of available borrowing under its lines of credit, including a $755-million revolving credit agreement, for general corporate purposes including acquisitions. In January 1985, the company chose to reduce the revolving credit agreement to $500 million.

Long-term debt decreased $42 million in 1984. As a percentage of total capitalization, long-term debt was 17 percent at the end of 1984, up slightly from 16 percent in 1983.

Capital Expenditures. Dart & Kraft's capital expenditures were $269 million in 1984 compared with $212 million in 1983, an increase of $57 million. In 1982, capital expenditures were $336 million and included $103 million for company vehicles. Beginning in 1983, such vehicles are leased through Dart & Kraft Financial Corporation, an unconsolidated subsidiary, which is in the vehicle and equipment leasing business.

In both 1984 and 1983, approximately two-thirds of the capital expenditures were for improved efficiency and replacement of existing facilities and one-third for expansion. In 1984, on a geographic basis, capital expenditures amounted to $197 million in the United States, $17 million in Canada and $55 million in all other countries.

Capital expenditures in 1985 are expected to be approximately $300 million.

Common Stock Prices and Dividends

The principal market for the company's common stock is the New York Stock Exchange. The quarterly market price ranges of Dart & Kraft common stock during 1984 and 1983 were as follows:

	1984		1983	
	High	Low	High	Low
First Quarter	73 3/4	64 3/4	74 1/4	63
Second Quarter	80 1/4	70 3/4	77 1/4	65
Third Quarter	81	71 1/8	70 1/2	63 1/8
Fourth Quarter	87 1/4	77	73	64 5/8

Dividends paid to shareholders totaled $209 million in 1984, compared with $210 million in 1983 and $197 million in 1982. The lesser amount of aggregate dividends paid in 1984 is reflective of fewer shares outstanding due to the company's stock purchase program in early 1984.

The company's quarterly dividends in 1984 were 96 cents per share in the first quarter and $1.06 per share in each of the last three quarters. Quarterly dividends in 1983 and 1982 were 96 cents and 90 cents per share, respectively.

Although dividends are reviewed quarterly, it is normally the May Board of Directors meeting at which the dividend is considered in depth.

On February 7, 1985, the Board of Directors announced that a three-for-one common stock split would be submitted for approval at the Annual Meeting of Shareholders on May 2, 1985. If approved, the split would be effective May 17, 1985.

There were approximately 70,200 holders of record of the company's common stock as of February 19, 1985.

DEBT TO EQUITY RATIO
Percent

CONSOLIDATED STATEMENT OF INCOME

Dart & Kraft, Inc. and Subsidiaries

	(Amounts in millions, except per share)		
Years Ended	Dec. 29, 1984	Dec. 31, 1983	Dec. 31, 1982
Net sales	$9,758.7	$9,714.0	$9,974.4
Costs and expenses:			
Cost of products	6,655.4	6,683.4	7,098.1
Delivery, sales and administrative expense	2,255.4	2,200.6	2,122.2
Interest expense	111.8	86.5	115.6
Interest income	(76.8)	(68.0)	(63.6)
Other income, net	(35.2)	(5.2)	(46.0)
Total	8,910.6	8,897.3	9,226.3
Income from operations	848.1	816.7	748.1
Nonoperating items	—	—	(90.7)
Income before taxes	848.1	816.7	657.4
Provision for taxes on income	392.3	381.6	307.1
Net income	$ 455.8	$ 435.1	$ 350.3
Net income per common and common equivalent share	$ 9.02	$ 7.92	$ 6.40
Average number of common and common equivalent shares	50.5	55.0	54.8

See Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Dart & Kraft, Inc. and Subsidiaries

Years Ended	Dec. 29, 1984	Dec. 31, 1983	Dec. 31, 1982
			(In millions)
Cash provided from operations			
Net income	$ 455.8	$ 435.1	$ 350.3
Items not resulting in cash flow:			
Depreciation and amortization	182.2	178.6	212.4
Deferred taxes on income	90.8	74.5	10.8
Provision for restructuring of Kraft Europe	–	–	111.0
(Increase) decrease in working capital (except cash, temporary investments and borrowings) adjusted for translation	(98.2)	245.8	76.1
Cash provided from operations	630.6	934.0	760.6
Dividends paid	(208.5)	(210.4)	(197.0)
Investments			
Capital expenditures	(268.7)	(211.9)	(336.1)
Book value of properties sold	44.8	42.1	46.7
Funds received from unconsolidated subsidiaries	–	67.5	107.7
Acquisition and disposition of businesses, net	(34.9)	(2.5)	(14.7)
(Increase) decrease in investments and long-term receivables	35.5	(109.3)	(31.1)
Increase (decrease) in other liabilities	(15.5)	3.6	(12.6)
(Increase) decrease in prepaid employee benefit and pension costs	6.9	(86.1)	15.6
Other	(35.0)	(30.3)	(4.1)
Cash used for investments	(266.9)	(326.9)	(228.6)
Financing			
Purchase of treasury stock	(531.7)	–	–
Increase (decrease) in long-term debt	(34.3)	(55.9)	39.0
Increase (decrease) in short-term borrowings	162.7	6.2	(78.6)
Cash used for financing	(403.3)	(49.7)	(39.6)
Increase (decrease) in cash and temporary investments	$(248.1)	$ 347.0	$ 295.4

See Notes to the Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEET

Dart & Kraft, Inc. and Subsidiaries

	(Dollars in millions)	
	Dec. 29, 1984	Dec. 31, 1983
Assets		
Cash	$ 121.8	$ 119.7
Time deposits and certificates of deposit	79.2	305.1
Temporary investments, at cost which approximates market	370.9	395.2
Total cash and temporary investments	571.9	820.0
Trade accounts and notes receivable	891.8	834.3
Other receivables	103.3	106.3
Less—Allowance for doubtful accounts and notes	(32.6)	(30.1)
	962.5	910.5
Inventories	1,614.7	1,625.8
Total current assets	3,149.1	3,356.3
Investments and long-term receivables	247.3	282.8
Prepaid and deferred items	175.1	173.8
Property, plant and equipment:		
Land	49.5	51.7
Buildings and improvements	700.1	729.5
Machinery and equipment	1,706.0	1,684.4
Construction in progress	97.2	82.0
	2,552.8	2,547.6
Less—Accumulated depreciation	(1,115.1)	(1,117.9)
	1,437.7	1,429.7
Intangibles, less amortizaton	275.7	175.5
	$ 5,284.9	$ 5,418.1

(Dollars in millions, except par value)	Dec. 29, 1984	Dec. 31, 1983
Liabilities and Shareholders' Equity		
Accounts and drafts payable	$ 531.6	$ 501.9
Short-term borrowings	280.9	118.2
Accrued compensation	164.5	152.0
Other accrued liabilities	481.6	478.8
Taxes on income	341.1	344.9
Current portion of long-term debt	28.8	21.4
Total current liabilities	1,828.5	1,617.2
Long-term debt	521.6	563.3
Deferred taxes on income	220.9	183.5
Other liabilities	115.9	131.4
Shareholders' equity:		
Preferred stock, $5.00 par value, authorized 50,000,000 shares; issued—none	—	—
Common stock, $2.50 par value, authorized 200,000,000 shares; issued 54,911,985 shares in 1984 and 54,879,024 in 1983	137.3	137.2
Capital surplus	347.5	349.1
Retained earnings	2,945.0	2,697.7
Less—Treasury stock, 7,036,174 shares in 1984 and 51,474 shares in 1983, at cost	(519.9)	(2.4)
Unearned portion of restricted stock issued for future services	(1.0)	(1.9)
Cumulative foreign currency adjustments	(310.9)	(257.0)
Total shareholders' equity	2,598.0	2,922.7
	$ 5,284.9	$ 5,418.1

See Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

Dart & Kraft, Inc. and Subsidiaries

(Dollars in millions)

For the Three Years Ended December 29, 1984	Number of Shares		Amounts				
	Common Stock	Treasury Stock	Common Stock	Treasury Stock	Capital Surplus	Retained Earnings	Cumulative Foreign Currency Adjustments
Balance, December 31, 1981	54,579,939	12,769	$136.4	$(.6)	$334.9	$2,319.7	$(70.6)
1982 net income	—	—	—	—	—	350.3	—
Cash dividends	—	—	—	—	—	(197.0)	—
Restricted Stock Plan	81,965	22,950	.3	(.9)	4.2	—	—
Stock options exercised	116,350	6,722	.3	(.4)	4.9	—	—
DM bond conversion	9,057	—	—	—	.5	—	—
Other	589	—	—	—	—	—	—
Translation adjustments	—	—	—	—	—	—	(106.0)
Balance, December 31, 1982	54,787,900	42,441	137.0	(1.9)	344.5	2,473.0	(176.6)
1983 net income	—	—	—	—	—	435.1	—
Cash dividends	—	—	—	—	—	(210.4)	—
Restricted Stock Plan	14,070	7,510	—	(.4)	.9	—	—
Stock options exercised	66,617	1,523	.2	(.1)	3.1	—	—
DM bond conversion	10,433	—	—	—	.6	—	—
Other	4	—	—	—	—	—	—
Translation adjustments	—	—	—	—	—	—	(80.4)
Balance, December 31, 1983	54,879,024	51,474	137.2	(2.4)	349.1	2,697.7	(257.0)
1984 net income	—	—	—	—	—	455.8	—
Cash dividends	—	—	—	—	—	(208.5)	—
Restricted Stock Plan	600	(2,710)	—	.3	—	—	—
Stock options exercised	31,408	(111,219)	.1	8.2	(.2)	—	—
DM bond conversion	953	(76,891)	—	5.7	(1.4)	—	—
Purchase of treasury stock	—	7,175,600	—	(531.7)	—	—	—
Other	—	(80)	—	—	—	—	—
Translation adjustments	—	—	—	—	—	—	(53.9)
Balance, December 29, 1984	54,911,985	7,036,174	$137.3	$(519.9)	$347.5	$2,945.0	$(310.9)

See Notes to the Consolidated Financial Statements.

Note 1: Summary of Significant Accounting Policies

Change in Fiscal Year. Effective January 1, 1984, the company changed its annual accounting period from a calendar year to a fiscal year ending on the last Saturday of December. The fiscal year 1984 ended December 29, 1984, and was comprised of 52 weeks.

Basis of Consolidation. The consolidated financial statements include the accounts of the company and all significant subsidiaries. Investments in subsidiaries engaged in businesses dissimilar to the company's principal operations are accounted for by the equity method. All significant intercompany accounts and transactions are eliminated in consolidation.

Translation of Foreign Currencies. Assets and liabilities of subsidiaries, other than those located in high-inflationary countries, are translated at the rates of exchange on the balance sheet date. Income and expense accounts are translated at the average rates of exchange during the year. Translation gains and losses are reported in shareholders' equity. Foreign currency gains and losses resulting from transactions and the translation of financial statements of subsidiaries in high-inflationary countries are included in net income. Net income included losses of $27.2 million in 1984, $27.6 million in 1983 and $9.7 million in 1982.

Inventory Valuation. Inventories are valued at the lower of cost or market. For substantially all food products, cost is determined using the average cost method. For most other products, the first-in, first-out method is used. Inventory cost includes cost of raw material, labor and overhead. Because of the nature of the business, it is impracticable to segregate inventories into raw materials, work in process and finished goods.

Property and Depreciation. Properties are stated at cost. Depreciation is determined on a straight-line basis over estimated useful lives. For certain machinery and equipment, depreciation is determined on a composite basis over estimated group lives. Generally, the estimated useful lives are 10 to 45 years for buildings and improvements, and 3 to 20 years for machinery and equipment.

On routine disposals of depreciable assets accounted for on a composite basis, the gross book value less the proceeds or salvage value is charged to accumulated depreciation. On all other sales or retirements of property, plant and equipment, gain or loss is recognized. Expenditures for maintenance and repairs are charged to expense.

Intangibles. The excess of cost over net assets of businesses acquired and other intangibles are being amortized over periods ranging up to 40 years.

Advertising and Research and Development Costs. Advertising and research and development costs are charged to expense as incurred.

Undistributed Earnings of International Subsidiaries. Federal income taxes are provided on the portion of each international subsidiary's earnings that is not expected to be invested permanently. At December 29, 1984, approximately $672 million of such undistributed earnings were considered to be invested permanently.

Net Income Per Share. Net income per common and common equivalent share is based upon the weighted average number of common shares actually outstanding during the period increased by the effect of dilutive stock options. No material dilution would result from conversion of the company's 7½% DM convertible bonds.

Note 2: Financing Arrangements

The short-term borrowings and the long-term debt of the company are summarized below:

(In millions)

Short-Term Borrowings	1984 Amount	1984 Weighted Average Interest Rate	1983 Amount	1983 Weighted Average Interest Rate	1982 Amount	1982 Weighted Average Interest Rate
Commercial paper	$210.2	10.3%	$ 74.1	9.9%	$ 3.2	11.1%
Bank loans and notes	70.7	19.4	44.1	12.8	108.8	24.7
Total short-term borrowings	$280.9	12.6%	$118.2	10.9%	$112.0	24.3%
Average borrowings	$316.8	12.4%	$132.3	16.5%	$283.7	17.1%
Maximum borrowings	$477.1	–	$196.4	–	$461.5	–

The average borrowings and weighted average interest rates were determined by using period-end borrowings and the interest rates applicable to them.

The company had unused lines of credit amounting to $1,143 million at December 29, 1984, including a $755-million revolving credit agreement.

(In millions)

Long-Term Debt	1984	1983
4⅜%–9⅛% sinking fund debentures due 1992-2007	$243.2	$258.5
4%–15¼% notes due 1986-1995	144.1	165.4
7¾% debentures due 1998	61.1	60.5
7½% DM convertible bonds due 1985	–	12.0
Other	73.2	66.9
Total long-term debt	$521.6	$563.3

The amounts shown as outstanding by the company at December 29, 1984, exclude amounts provided for payment and sinking fund requirements included in current liabilities and $77.4 million of debentures held in treasury in excess of current sinking fund requirements.

Excluded from debt and assets are certain borrowing arrangements in foreign currencies for which there are related loans receivable of equivalent amounts. In the event of default by either party under these arrangements, a legal right of offset allows defaulted principal and accrued interest to be offset against the related repayment obligation. At December 29, 1984, these loans totaled $73.7 million.

Total principal payments due on long-term debt, after deducting amounts held in treasury, in the five years subsequent to December 29, 1984, are as follows: 1985—$28.8 million; 1986—$23.0 million; 1987—$97.0 million; 1988—$32.9 million; 1989—$34.8 million.

In November 1983, the company issued in the Eurobond market $85 million of 7¾% debentures due in 1998, together with warrants to purchase 854,675 shares of common stock of Minnesota Mining and Manufacturing Company which were acquired in connection with a divestiture in 1970. As of December 29, 1984, no warrants have been exercised.

Under an agreement with Dart & Kraft Financial Corporation, an unconsolidated subsidiary, the company has undertaken certain support obligations in connection with the borrowings of that subsidiary, including the obligation to make payments, if required, to Financial sufficient to cause Financial's pretax earnings before interest expense to be at least 1.15 times its interest expense. At December 29, 1984, Financial had borrowings of $361.5 million, which are not guaranteed by Dart & Kraft, at a weighted average interest rate of 10.9 percent.

In addition, under an agreement with Dart Resorts Inc., an unconsolidated subsidiary, the company has undertaken contingent payment obligations with respect to notes issued by that subsidiary in 1983. At December 29, 1984, $67.5 million of such notes, which are not guaranteed by Dart & Kraft, were outstanding at a weighted average interest rate of 11.3 percent.

Operating Leases. Rental expense for operating leases (reduced by sublease income of approximately $4 million in 1984 and in 1983 and $6 million in 1982) totaled $85.3 million in 1984, $87.1 million in 1983 and $83.4 million in 1982. Approximate minimum rental commitments under noncancelable operating leases in effect at December 29, 1984, are: 1985—$47.1 million; 1986—$34.9 million; 1987—$26.9 million; 1988—$22.5 million; 1989—$19.0 million; and, after 1989—$82.3 million. Future sublease rentals receivable total $4.6 million.

Note 3: Stock Options

During 1984, options to purchase 152,429 shares under various option plans of the company were exercised at prices ranging from $28.25 to $70.75 per share, and options for 158,921 shares lapsed or were cancelled or voided. Options for ,400 shares were granted during the year and, at December 29, 1984, 737 employees (including officers) held options under stock option plans of the company to purchase 1,226,232 shares at prices ranging from $35.63 to $84.50 per share. At that date, options for 622,660 shares were exercisable and 639,822 shares were reserved for future option grants. Proceeds from options exercised during the periods were reflected in the treasury stock, common stock and capital surplus accounts. No charges have been reflected in income for any period with respect to these plans.

Stock appreciation rights granted to holders of certain options allow the election to surrender these options for payment of an amount in cash or common stock, in the discretion of the administering committee, equal to the excess of the fair market value at the surrender date over the option price of the options surrendered. Compensation expense associated with these stock appreciation rights was not significant.

Note 4: Foreign Currency

Currency exchange rate fluctuations can affect the carrying value of an investment in a foreign subsidiary. For subsidiaries located in countries not experiencing a high rate of inflation, the effects of such rate fluctuations are recorded directly in shareholders' equity and are not included in net income.

The cumulative amounts included in equity at the beginning and end of 1984, together with changes during the year, by geographic segment were as follows:

(In millions)

Cumulative Foreign Currency Adjustments, Gain (Loss)	Canada	Latin America	Europe & Africa	Pacific Area	Worldwide Total
Balance, December 31, 1983	$(11.8)	$(59.4)	$(143.6)	$(42.2)	$(257.0)
anges in 1984	(9.0)	1.3	(35.0)	(11.2)	(53.9)
Balance, December 29, 1984	$(20.8)	$(58.1)	$(178.6)	$(53.4)	$(310.9)

For subsidiaries in countries with a high rate of inflation, the effects of rate changes arising from translation are included in net income. In addition, gains and losses arising from foreign currency transactions are included in net income. In 1984, foreign currency losses included in net income by geographical segment were as follows:

(In millions)

Foreign Currency (Loss)	U.S.	Canada	Latin America	Europe & Africa	Pacific Area	Worldwide Total
Translation	$ —	$ —	$(4.8)	$ —	$ —	$(4.8)
Transaction	(18.7)	(.6)	(8.9)	(4.0)	(.8)	(33.0)
	(18.7)	(.6)	(13.7)	(4.0)	(.8)	(37.8)
Income taxes	(7.3)	(.2)	(1.4)	(1.5)	(.2)	(10.6)
Net (loss)	$(11.4)	$(.4)	$(12.3)	$(2.5)	$(.6)	$(27.2)

Note 5: Income Taxes

Provision for taxes on income consists of the following:

(In millions)

	1984	1983	1982
Current:			
Federal	$152.4	$166.7	$172.1
Foreign	110.6	108.5	98.0
State	38.5	31.9	26.2
	301.5	307.1	296.3
Deferred:			
Federal	77.6	68.8	21.6
Foreign	14.9	2.0	(15.3)
State	(1.7)	3.7	4.5
	90.8	74.5	10.8
Provision for taxes on income	$392.3	$381.6	$307.1

Deferred income tax provisions, resulting from variances between accounting for financial statement purposes and accounting for tax purposes, were as follows:

			(In millions)
	1984	1983	1982
Depreciation	$100.8	$ 56.0	$ 39.3
Accrued taxes and other expenses not deductible until paid	(13.0)	(27.0)	(5.5)
Provision for elimination, change or sale of certain operations	(3.7)	1.5	(20.0)
Pre-funded employee benefits	(15.6)	47.8	—
Other	22.3	(3.8)	(3.0)
Tax effects of timing differences	$ 90.8	$ 74.5	$ 10.8

Income taxes charged to income differ from an amount computed using the U.S. federal income tax rate as follows:

			(In millions)
	1984	1983	1982
Amount computed using the statutory rate	$390.1	$375.7	$302.4
Increase (reduction) in taxes resulting from:			
State taxes	19.9	19.2	16.6
Foreign income	11.1	4.7	7.2
Provision for restructuring of Kraft Europe	—	—	20.0
Investment tax credit (flow-through method)	(17.2)	(13.0)	(18.5)
Other	(11.6)	(5.0)	(20.6)
Provision for taxes on income	$392.3	$381.6	$307.1

Income before taxes was as follows:

			(In millions)
	1984	1983	1982
Domestic	$575.1	$568.0	$525.8
Foreign	273.0	248.7	131.6
Total income before taxes	$848.1	$816.7	$657.4

Dart & Kraft Financial Corporation, while unconsolidated for financial reporting, is included in Dart & Kraft's consolidated U.S. federal and state income tax returns. Taxes provided by the consolidated companies shown in the preceding table include the effect of significant tax credits and deductions of Financial arising primarily from its leasing activities.

Note 6: Employee Benefit and Other Related Plans

Pensions Plans. The company has several pension plans covering substantially all U.S. employees and certain employees in other countries. In addition to its own pension plans, the company contributes to various joint industry and union pension plans.

The total pension expense for all plans was $21.5 million in 1984, $43.1 million in 1983, and $45.3 million in 1982, and includes amortization

of past service costs over periods ranging up to 30 years. The company's actuarial cost method used in determining pension expense of its major domestic plans is the projected unit credit method. In 1984, the assumed investment rate of return on pension fund assets was increased to 8 percent from 7 percent. This change was made to more closely match the company's pension expense with its investment experience. The effect of this change was to reduce the 1984 pension expense by approximately $17.7 million. In general, annual cash contributions are made to the plans equal to the amount accrued for expen

A comparison of accumulated plan benefits and plan net assets for all the company's domestic defined benefit plans, as of the latest valuation dates is presented below.

	(In millions)	
January 1,	1984	1983
Actuarial present value of accumulated plan benefits:		
Vested	$ 676.4	$627.5
Nonvested	34.3	33.7
	$ 710.7	$661.2
Net assets available for benefits	$1,062.2	$958.7

The assumed rate of return used in determining the actuarial present value of accumulated plan benefits for these plans was 8.0 percent in 1984 and 1983.

The actuarial value of accumulated benefits or net assets available for benefits is not calculated for all pension plans outside the United States. For those plans for which a determination was made, the total of the pension funds and accruals exceeded the actuarially computed value of vested benefits as of the latest valuation dates. For various joint industry and union-sponsored plans, information is not available from the plans' sponsors to permit the company to determine its share of unfunded vested benefits.

There are also several thrift and profit-sharing plans. The total cost of these plans was $27.2 million in 1984, $22.1 million in 1983, and $22.7 million in 1982.

Postretirement Benefits. In addition to providing pension benefits, the company provides certain postretirement health care and life insurance benefits for domestic and Canadian employees. Employees become eligible for those benefits if they meet retirement criteria while working for the company. The cost of retiree health care and life insurance benefits is recognized as expense as claims are paid. Such costs in 1984 were $11.4 million, $10.5 million in 1983 and $7.6 million in 1982.

Incentive Plans. Under year-to-year incentive com pensation plans, key employees, including officers of the company, earned approximately $23.7 million for 1984, $22.7 million for 1983 and $20.9 million for 1982. These plans covered 1,226 employees for 1984, 1,105 employees for 1983 and 1,181 employees for 1982, and did not include any director of the company who was not an employee.

A Restricted Stock Plan provides for awards of common stock to selected employees, subject to forfeiture if employment terminates prior to the end of the prescribed restricted period. At December 29, 1984, certain employees held 96,320 shares of restricted common stock of the company. The company's Performance Unit Plan provides for awards of cash and/or common stock of the company to selected employees, based upon the attainment of prescribed performance criteria. At December 29, 1984, there were 1,910,640 shares reserved for issuance under these plans.

Note 7: Contingencies

The company and its subsidiaries are parties against om are pending a number of legal and administrative proceedings (including several private actions, some seeking treble damages, based on alleged violation of the antitrust laws) which are incidental to the business. In the opinion of the company's General Counsel, the outcome of such proceedings will not affect materially the company's consolidated financial position or operations.

Note 8: Nonoperating Items

There were no nonoperating items in 1984 or 1983. Nonoperating items in 1982 consisted of the following:

(In millions)

Gain (Loss)	Before taxes on income	After taxes on income
Provision for restructure of Kraft Europe (third quarter)	$(111.0)	$(79.9)
Gain on disposition of properties (third quarter)	4.9	8.4
Gain on repurchase of company bonds (primarily first quarter)	7.2	3.7
Gain from antitrust settlements	8.2	4.2
	$(90.7)	$(63.6)

Note 9: Business Combinations and Dispositions

In 1984, the company sold its Plastic Specialties and iversal Packaging businesses and acquired the usinesses of Celestial Seasonings, Inc. and Lender's Bagel Bakery, Inc.

In 1982, Kraft initiated a plan to restructure its European and certain small international and domestic food operations. Accordingly, a provision of $111 million was recorded in the third quarter to cover the estimated cost of this action. In December 1982, the company acquired the continental European battery business of British Ever Ready Ltd.

Additionally, during the last three years, the company acquired and disposed of a number of other businesses. The combined sales and income before taxes of all of these other businesses are not material to the company's consolidated financial statements.

Note 10: Supplementary Statement of Income Information

(In millions)

	1984	1983	1982
Maintenance and repairs	$152.9	$158.1	$173.1
Depreciation	169.8	171.3	189.3
Taxes other than payroll and taxes on income	45.8	38.3	36.2
Advertising	418.6	339.6	307.5
Research and development	83.4	73.6	86.5

Note 11: Segments of the Business

The company operates principally in four industries—food products, direct selling, consumer products and commercial products.

Segments of Business by Classes of Products			*(In millions)*
Three-Year Summary	1984	1983	1982
Sales to unaffiliated customers:			
Food Products	$6,837.7	$6,660.4	$7,041.1
Direct Selling	776.9	825.1	890.1
Consumer Products	1,244.8	1,181.0	974.9
Commercial Products	899.3	1,047.5	1,068.3
Net sales	$9,758.7	$9,714.0	$9,974.4
Operating profit:			
Food Products	$ 615.4	$ 553.5	$ 488.5
Direct Selling	138.8	189.3	222.4
Consumer Products	118.4	104.7	74.4
Commercial Products	101.0	104.8	70.2
Total operating profit	$ 973.6	$ 952.3	$ 855.5
Corporate general expense	(52.7)	(84.3)	(48.8)
Foreign currency loss	(37.8)	(32.8)	(6.6)
Interest expense, net	(35.0)	(18.5)	(52.0)
Nonoperating items	—	—	(90.7)
Income before taxes	$ 848.1	$ 816.7	$ 657.4
Identifiable assets:			
Food Products	$2,316.5	$2,131.8	$2,364.8
Direct Selling	488.0	462.7	485.3
Consumer Products	958.8	828.0	824.4
Commercial Products	556.9	727.6	766.7
Corporate	964.7	1,268.0	692.6
Total identifiable assets	$5,284.9	$5,418.1	$5,133.8
Depreciation:			
Food Products	$ 68.9	$ 73.2	$ 74.8
Direct Selling	28.9	36.0	40.7
Consumer Products	42.9	26.9	23.4
Commercial Products	23.9	30.4	36.6
Corporate	5.2	4.8	13.8
Total depreciation	$ 169.8	$ 171.3	$ 189.3
Capital expenditures:			
Food Products	$ 107.9	$ 95.3	$ 119.9
Direct Selling	62.8	40.7	85.5
Consumer Products	67.9	43.0	32.1
Commercial Products	28.1	25.4	34.7
Corporate	2.0	7.5	63.9
Total capital expenditures	$ 268.7	$ 211.9	$ 336.1

Segments of Business by Geographical Areas			*(In millions)*
Three-Year Summary	1984	1983	1982
es to unaffiliated customers:			
United States	$7,129.0	$6,905.3	$7,129.5
Canada	760.3	786.0	741.1
Latin America	226.2	209.5	302.1
Europe and Africa	1,205.6	1,349.7	1,347.2
Pacific Area	437.6	463.5	454.5
Net sales	$9,758.7	$9,714.0	$9,974.4
Operating profit:			
United States	$ 645.9	$ 612.2	$ 554.5
Canada	91.4	96.1	75.2
Latin America	52.7	39.1	47.4
Europe and Africa	121.1	129.2	109.8
Pacific Area	62.5	75.7	68.6
Total operating profit	$ 973.6	$ 952.3	$ 855.5
Identifiable assets:			
United States	$3,054.5	$2,882.1	$3,031.0
Canada	265.8	246.8	272.3
Latin America	155.5	140.1	197.5
Europe and Africa	539.6	582.9	653.8
Pacific Area	304.8	298.2	286.6
Corporate	964.7	1,268.0	692.6
Total identifiable assets	$5,284.9	$5,418.1	$5,133.8

In 1984, the product segments of Dart & Kraft have been realigned to more appropriately reflect the markets served. Kraft, Inc. is the sole component of the Food Products segment and Tupperware International is the single component of the Direct Selling segment. The Consumer Products segment is comprised of Duracell Inc., KitchenAid, Inc., The West Bend Company and the Health Care sector. The Commercial Products segment is comprised of Hobart commercial equipment and the Decorative Building Products, Plastic Specialties (sold in 1984) and Packaging (sold in 1984) sectors. Segment results for 1983 and 1982 have been restated for comparability.

The segments consist of the following products: *Food Products*—cheese and related products, vegetable oil-based products, packaged foods, fluid milk products, frozen desserts, manufactured dairy products, herb teas and frozen bagels; *Direct Selling*—stic food-preparation, storage and serving containers; *Consumer Products*—batteries and lighting products; dishwashers, cooking equipment and other home appliances; electric housewares, cookware and physical fitness equipment; and disposable medical products; *Commercial Products*—commercial food equipment; decorative laminates; chemical specialties, paper containers, flexible packaging materials (sold in 1984); and foamed polystyrene products (sold in 1982 and 1983).

Of these products, the only class that accounted for more than 10 percent of consolidated sales is cheese and related products, with sales of approximately $3.1 billion in 1984, and $3.2 billion in 1983 and in 1982.

In the two segment tables, intersegment sales were immaterial, except in the Commercial Products segment, which amounted to $25.1 million in 1984, $32.4 million in 1983 and $33.4 million in 1982.

Operating profit is net sales less cost of products and delivery, sales and administrative expense other than corporate general expense. Identifiable assets are those assets that are identified with the

operations in each segment. Corporate assets are principally cash and investments, including investments in unconsolidated subsidiaries. Sales to a single customer did not exceed 10 percent of total sales. Export sales were insignificant.

As of December 29, 1984, the company's net investment in international operations was $797 million.

Note 12: Quarterly Financial Summary (Unaudited)

The following is a summary of the unaudited interim results of operations for the years ended December 29, 1984 and December 31, 1983.

(Dollars in millions, except per share)

Year Ended December 29, 1984	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net sales	$2,414.1	$2,460.6	$2,405.8	$2,478.2
Cost of products	1,657.1	1,672.1	1,645.5	1,680.7
Net income	107.8	109.5	113.0	125.5
Net income per common and common equivalent share	$ 1.97	$ 2.13	$ 2.33	$ 2.59

Year Ended December 31, 1983	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net sales	$2,316.6	$2,395.1	$2,443.9	$2,558.4
Cost of products	1,598.1	1,632.9	1,688.6	1,763.
Net income	98.5	107.5	110.7	118.4
Net income per common and common equivalent share	$ 1.79	$ 1.96	$ 2.01	$ 2.16

Note 13: Unconsolidated Subsidiaries

The following is a summary of financial data of Dart & Kraft Financial Corporation, an unconsolidated subsidiary which is in the vehicle and equipment leasing business:

	(In millions)	
	1984	1983
Statement of Income		
Revenues	$120.4	$ 75.6
Income Before Taxes	$ 4.5	$ 5.5
Net Income	$ 10.6	$ 8.8
Balance Sheet		
Investments in Leases and Equipment	$464.3	$261.1
Other Assets	53.7	48.7
	$518.0	$309.8
Notes Payable	$361.5	$219.0
Other Liabilities	104.4	61.7
Shareholder's Equity	52.1	29.1
	$518.0	$309.8

Other insignificant unconsolidated subsidiaries include a real estate development subsidiary and an insurance subsidiary.

Auditors' Report

To the Board of Directors and Shareholders of Dart & Kraft, Inc.:

We have examined the consolidated balance sheet of Dart & Kraft, Inc. (a Delaware corporation) and subsidiaries as of December 29, 1984, and December 31, 1983, and the related consolidated statements of income, shareholders' equity, and changes in financial position for each of the three years in the period ended December 29, 1984. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The financial statements of certain wholly owned subsidiaries, whose net sales and total assets represent approximately 30% and 40%, respectively, of the related consolidated totals, were examined by other auditors and we were furnished with their reports thereon.

In our opinion, based on our examinations and the reports of other auditors, the consolidated financial statements referred to above present fairly the financial position of Dart & Kraft, Inc. and subsidiaries as of December 29, 1984, and December 31, 1983, and the results of their operations and changes in their financial position for each of the three years in the period ended December 29, 1984, in conformity with generally accepted accounting principles applied on a consistent basis.

Arthur Andersen & Co.

Chicago, Illinois
February 8, 1985

Responsibility for Financial Statements

The auditors' report expresses their opinion as to the fair presentation of the company's financial statements and conformity with generally accepted accounting principles. It is managment's responsibility to see that such financial statements accurately reflect the financial position of the company and its operating results. All of the financial information in the text of this annual report is consistent with that in the financial statements.

The company maintains systems of internal controls, policies and procedures to ensure that its accounting, administrative procedures and reporting practices are of the highest quality and integrity. The company also maintains an internal auditing function that continually evaluates the adequacy and effectiveness of such internal control, policies and procedures. The company's business ethics policy, which is regularly communicated to all key employees of the organization, requires employees to maintain the highest ethical standards in their conduct of company affairs.

The Board of Directors' Audit Committee, which is composed entirely of directors who are not employees of the corporation, meets periodically with the external and internal auditors and with management to satisfy itself that each is properly discharging its responsibilities. (See page 60).

The Effects of Inflation on Dart & Kraft (Unaudited)

The following supplemental information is required by the Financial Accounting Standards Board as part of its program to develop financial reporting that will reflect the burden of inflation on companies. The disclosures below provide a measure of the impact of inflation on Dart & Kraft, but they should be used with caution because the accounting techniques used are experimental in nature and because other companies may have used different assumptions.

Restatement under the current cost method adjusts historical costs to reflect changes in the prices of assets used or goods purchased for processing and sale. Constant dollar information has been restated from historical data by means of the U.S. Consumer Price Index.

	(In millions)
1984 Net Income Adjusted for Inflation	
Income before taxes as reported in the Consolidated Statement of Income	$848.1
Excess of current cost of products over historical cost of products (excluding depreciation)	(90.1)
Excess of current cost depreciation over historical depreciation*	(72.1)
Adjusted income before taxes	685.9
Provision for taxes on income as reported in the Consolidated Statement of Income	392.3
Adjusted net income	293.6
Purchasing power gain from net monetary position	23.4
Total	$317.0

**Total current cost depreciation was $241.9 million.*

Since existing tax laws only partially allow for the distorting effects of inflation, the effective tax rate of 57.2 percent on current cost income is substantially higher than the 46.3 percent effective rate on reported income.

	(In millions)
Changes During 1984 in Cost of Inventories and Property, Plant and Equipment	
Increase during 1984 in value of inventories and property, plant and equipment in constant dollars	$152.1
Increase during 1984 in current cost of these assets	208.4
Difference between increase in constant dollars and increase in current cost	$(56.3)

The current cost of inventory, $1,647.3 million, was determined primarily from actual market costs. Net property, plant and equipment's current cost of $2,221.3 million was calculated by the use of specialized indexes. Comparable historical amounts are $1,614.7 million and $1,437.7 million.

(Dollars in millions, except per share, all current cost and constant dollar amounts in average 1984 dollars)

Comparison of Selected Supplemental Financial Data	1984	1983	1982	1981	198
Net sales					
—as reported	$9,758.7	$ 9,714.0	$ 9,974.4	$10,211.0	$ 9,411.5
—constant dollar	9,758.7	10,127.4	10,733.4	11,661.7	11,863.5
Net income					
—as reported	455.8	435.1	350.3	347.5	383.1
—current cost	293.6	275.3	240.3	229.4	271.5
Net income per common share					
—as reported	9.02	7.92	6.40	6.36	7.03
—current cost	5.81	5.01	4.39	4.20	4.98
Cash dividends* declared per common share					
Dart & Kraft					
—as reported	4.14	3.84	3.60	3.40	.80
—constant dollar	4.14	4.00	3.87	3.88	.97
Kraft					
—as reported					2.40
—constant dollar					3.08
Dart					
—as reported					1.50
—constant dollar					1.90
Net assets					
—as reported	2,598.0	2,922.7	2,773.5	2,718.0	2,620.
—current cost	3,366.6	3,890.7	4,036.7	4,082.3	4,357.8
Foreign currency translation adjustments					
—as reported	(53.9)	(80.4)	(106.0)	(76.9)	
—current cost	(66.7)	(109.4)	(142.7)	(112.7)	
Purchasing power gain from net monetary position in constant dollars	23.4	22.0	41.0	101.2	97.3
Increase in the constant dollar value of inventories and property, plant and equipment over (under) the current cost value increase in constant dollars	(56.3)	(4.0)	(109.2)	85.2	174.7
Common stock price per share at year end					
—as reported	84.13	66.63	68.50	50.75	43.50
—constant dollar	82.96	68.30	72.88	56.09	52.37
Average U.S. Consumer Price Index	311.1	298.4	289.1	272.4	246.8

**1980 dividends—Dart & Kraft, fourth quarter only. Kraft and Dart Industries, first three quarters only.*

OFFICERS

Office of the Chairman

John M. Richman
Chairman of the Board and
Chief Executive Officer

Warren L. Batts
President and
Chief Operating Officer

Vice Chairman

Arthur W. Woelfle
Chairman,
Kraft, Inc.

Group Vice Presidents

Michael Allik
President,
Specialty Products Group

E. M. Davis
President,
Hobart Corporation

Joseph Hara
President,
Tupperware International

William L. Jackson
Chairman,
Tupperware International

C. Robert Kidder
President,
Duracell Inc.

Michael A. Miles
President and
Chief Operating Officer,
Kraft, Inc.

Corporate Staff

William W. Crawford
Senior Vice President,
General Counsel and Secretary

William B. Jordan
Senior Vice President,
Financial Affairs

Roger H. Willis
Senior Vice President,
Control and Systems

John J. Beatty III
Vice President,
Government Relations

Russell K. Bolton
Vice President and
Associate General Counsel

Barbara L. Bowles
Vice President,
Investor Relations

John M. Costigan
Vice President and
Associate General Counsel

Gary P. Coughlan
Vice President and
Controller

John T. Kelly
Vice President and
Assistant General Counsel

Alan J. Lacy
Vice President and
Treasurer

Margaret P. MacKimm
Vice President,
Public Affairs

Thomas J. McHugh
Vice President,
Taxes

Michael H. Moskow
Vice President,
Corporate Development

Philippe J. Naveau
Vice President,
Strategy

William A. Paterson
Vice President,
Auditing

Robert R. Schuldt
Vice President,
Management Development

DIRECTORS AND COMMITTEES OF THE BOARD

Board of Directors

John M. Richman[2,4,5]
Chairman of the Board and
Chief Executive Officer
Northbrook, Illinois

Warren L. Batts[4,5]
President and
Chief Operating Officer
Northbrook, Illinois

William O. Beers[2,4,5*]
Retired Chairman of the Board
and Chief Executive Officer
Kraft, Inc.
North Palm Beach, Florida

William O. Bourke[1,4,6]
President and
Chief Operating Officer
Reynolds Metals Company
Aluminum Products
Richmond, Virginia

Catherine B. Cleary[1,3,6*]
Retired Chairman of the Board
and Chief Executive Officer
First Wisconsin Trust Company
Trust Services
Milwaukee, Wisconsin

John D. deButts[2,3,5]
Retired Chairman of the Board
and Chief Executive Officer
American Telephone and
Telegraph Company
Communications
Upperville, Virginia

E. Mandell de Windt[2,3,6*]
Chairman of the Board and
Chief Executive Officer
Eaton Corporation
Vehicular and Electronic
Components
Cleveland, Ohio

Lloyd C. Elam, M.D.[1,3]
Distinguished Professor
Meharry Medical College
Nashville, Tennessee

Joseph Hara
President
Tupperware International
Orlando, Florida

John F. McGillicuddy[2,5]
Chairman of the Board and
Chief Executive Officer
Manufacturers Hanover
Corporation and Manufacturers
Hanover Trust Company
Commercial Banking
New York, New York

Michael A. Miles
Group Vice President
Dart & Kraft and
President and
Chief Operating Officer
Kraft, Inc.
Glenview, Illinois

William D. Noël[1,3,6]
Chairman of the Board
Rexene Corporation,
El Paso Products Company and
El Paso Polyolefins, Inc.
Chemicals and Plastics
Odessa, Texas

John S. Reed[4,6]
Retired Chairman of the Board
and Chief Executive Officer
Santa Fe Industries, Inc.
Transportation and Natural
Resources
Chicago, Illinois

William E. Simon[2,4,5]
Chairman of the Board
Wesray Corp.
Investments
Morristown, New Jersey

Edward R. Telling[4,6]
Chairman of the Board,
Chief Executive Officer
and President
Sears, Roebuck and Co.
Retailing, Insurance, Real Estate,
Financial Services and
International Trade
Chicago, Illinois

John L. Weinberg[1,5]
Senior Partner
Goldman, Sachs & Co.
Investment Banking
New York, New York

Arthur W. Woelfle[4,5]
Vice Chairman
Dart & Kraft and
Chairman
Kraft, Inc.
Glenview, Illinois

George G. Zipf[1,3]
Retired President and
Chief Operating Officer
The Babcock & Wilcox Company
and Vice Chairman
J. Ray McDermott & Co., Inc.
Industrial Products
Stuart, Florida

**Chairman*

Committees

1. Audit Committee
The Audit Committee, composed of directors who are not employees of the corporation or any of its subsidiaries, recommends selection of the independent auditors; reviews matters pertaining to the audit, systems of internal control, and accounting policies and procedures; has approval authority with respect to services provided by the independent auditors; and directs and supervises investigations into matters within the scope of its duties.

2. Committee on Directors
The Committee on Directors identifies, reviews qualifications of and recommends to the Board candidates for election as directors, and also acts on other matters pertaining to Board membership.

3. Employee Benefits Committee
The Employee Benefits Committee, composed of directors who are not employees of the corporation or any of its subsidiaries, makes recommendations to the Board concerning employee benefit plans, reviews employee benefit plan investment performance and investment policies, and also has certain responsibilities under various thrift and saving plans.

4. Executive Committee
The Executive Committee has most of the powers of the Board of Directors and can act when the Board is not in session.

5. Finance Committee
The Finance Committee reviews and makes recommendations to the Board regarding dividends, financial policies and procedures, and also has the authority to approve various financial transactions.

6. Management Compensation Committee
The Management Compensation Committee, composed of directors who are not employees of the corporation or any of its subsidiaries, directs the administration of various management incentive plans, and takes action on, or recommends to the Board, salary changes for certain management personnel.

CORPORATE INFORMATION

Transfer Agents

Manufacturers Hanover Trust Company
Shareholder Relations Department
P.O. Box 24935
Church Street Station
New York, New York 10249

State Street Bank and Trust Company
Stock Transfer Department
225 Franklin Street
Boston, Massachusetts 02101

Harris Trust and Savings Bank
Corporate Trust Operations
111 West Monroe Street
Chicago, Illinois 60603

Bank of America N.T. & S.A.
Stock Transfer Department
P.O. Box 37002
San Francisco, California 94137

The Royal Trust Company
Stock Transfer Department
630 Dorchester Boulevard West
Montreal 110, Quebec, Canada

Royal Trust Tower
Toronto-Dominion Centre
Toronto 116, Ontario, Canada

***Price Waterhouse**
447 Collins Street
Melbourne, 3001 Victoria
Australia

Registrars

Manufacturers Hanover Trust Company
New York

Continental Illinois National Bank and Trust Company of Chicago
Chicago

State Street Bank and Trust Company
Boston

Bank of America N.T. & S.A.
San Francisco

Montreal Trust Company
Montreal and Toronto

***The Wales Nominees**
(Vic.) Pty. Limited
Melbourne

Stock Exchanges

New York (principal market), Boston, Midwest, Pacific, Montreal, Toronto, *Adelaide, *Brisbane, *Hobart, *Melbourne, *Perth, *Sydney, London, Antwerp, Brussels, Paris, Frankfurt/Main, Amsterdam, Basel, Bern, Geneva, Lausanne, Zurich.

U.S. Trading Symbol: DKI

**For shares represented by Australian certificates only.*

Dividend Reinvestment Plan

Shareholders may build their investments in the company through the Dividend Reinvestment and Stock Purchase Plan. For enrollment information, write to:

Secretary
Dart & Kraft, Inc.
2211 Sanders Road
Northbrook, Illinois 60062

Inquiries relating to existing reinvestment accounts should be directed to:

Manufacturers Hanover Trust Company
Dividend Reinvestment Department
P.O. Box 24850
Church Street Station
New York, New York 10249

Auditors

Arthur Andersen & Co.

SEC Form 10-K

The company's Annual Report on Form 10-K, most recently filed with the Securities and Exchange Commission, will be provided without charge upon written request to: Secretary, Dart & Kraft, Inc., 2211 Sanders Road, Northbrook, Illinois 60062

Annual Meeting

The Annual Meeting of Shareholders will be held at 10:30 a.m. on Thursday, May 2, 1985, at The Westin Hotel, North Michigan Avenue at Delaware Street, Chicago, Illinois.

Corporate Office

Dart & Kraft, Inc.
2211 Sanders Road
Northbrook, Illinois 60062
(312)498-8000

Note: Trademarks in "This is Dart & Kraft" on pages 2 and 3 are owned by the company. In the text, trademarks are indicated by the use of italics.

UNION GAS LIMITED
INFORMATION RESOURCE CENTRE